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# FINANCIAL TIMES

Europe's Business Newspaper

MONDAY, MAY 17, 1993

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## De Benedetti says Olivetti paid bribes to win contracts

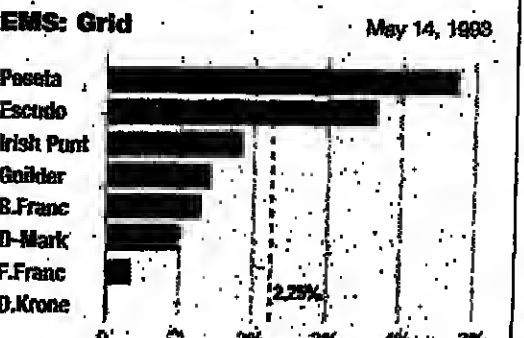
Italian financier Carlo De Benedetti, president of computer giant Olivetti, said his company had paid bribes to secure public contracts. Mr De Benedetti is understood to have told Milan magistrates that his group had paid some £100m (\$6.5m) to a politician in connection with telecom contracts. "I only gave in [to pressure from political parties] when I found it necessary to defend the survival of the company and the interests of tens of thousands of workers and of shareholders," he said in a statement. Page 12

**Turkish president elected:** Turkey faces a period of political uncertainty following the election of Suleyman Demirel as president. Mr Demirel's True Path party must now select who will succeed him as prime minister. Page 12

**German futures traders suspended:** The second revelation in a month of trading manipulation has shaken futures traders after Friday's announcement by the German futures exchange of "irregularities". Three traders have been suspended. Page 13

**Lenders back O&Y's US subsidiary:** Lenders to Olympia & York's US properties are backing efforts by the developer's US subsidiary to distance itself from its crippled Canadian parent. Page 13

**European Monetary System:** The Spanish peseta and Portuguese escudo start the week at the top of the European exchange rate mechanism grid following last week's devaluations. However, the peseta is only 4.75 percentage points above the Danish krone, the weakest currency in the grid. Currencies, Page 23



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. The Spanish peseta and Portuguese escudo operate with 6 per cent fluctuation bands.

**Heron International, UK property group,** expects to raise £90m (\$140m) in two property disposals to be formally announced next month. Page 14

**Royal Dutch/Shell, Anglo-Dutch oil group,** plans to dispose of 12 of its 42 large oil carriers to cut costs and reduce exposure to environmental liabilities. Page 14

**Swiss Bank Corporation** is to pay shareholders in BIC and Redland a higher cash alternative for the enhanced scrip dividends announced by both companies after reaching agreement with Barclays de Zoete Wedd. Page 15

**Inconvenient flag:** US shipping companies are likely to re-flag their ships in countries offering lower crew and tax costs after the Clinton administration said it would end operating subsidies to ships working under the US flag. Page 2

**Palestinians kill four in Gaza:** Two Israelis and two Arabs were shot dead by Palestinians in the occupied Gaza strip in the worst attack since the Israeli government sealed off the occupied territories almost two months ago. Page 2

**AIAC Corporation,** a privately owned New York-based company, will become a leading metals trading group after acquiring Axel Johnson's raw materials trading subsidiary from the Swedish conglomerate. Page 15

**European drugs market slows:** Growth of the European drugs market continued to slow during the first quarter as governments struggled to control healthcare spending. Page 3

**US considers arms indictments:** The US Department of Justice is deciding whether to indict Chilean arms dealer, Carlos Cardoen, who used US technology in weapons sales to Iraq. Page 2

**Israel's bank sell-off:** Israel's finance minister announced the sale of 60 per cent of the shares in Union Bank, calling the deal "a turning point" in the government's programme to sell off its bank shares to the private sector. Page 2

**BT moves into home entertainment:** British Telecom plans to move into the home entertainment market later this year, by selling dishes to receive satellite broadcasts. Page 5

**Parmalat, Italian dairy group,** is raising £427bn (\$690m) through a rights issue to buy out the controlling Tanzi family's minority stake in its main operating subsidiary. Page 15

**Siderca, Argentine steel tube maker,** is set to take effective control of Tubos de Acero de Mexico, Mexico's only manufacturer of steel tubes. Page 15

**Italian bomb blast probe:** Police in Rome continued investigations into a car bomb blast which on Friday injured 23 people in a wealthy residential area. Page 3

## EC predicts economic growth at zero or less

By Lionel Barber in Brussels

THE EC has sharply downgraded its economic forecast for this year, according to internal estimates which the European Commission plans not to release until after tomorrow's Danish referendum on the Maastricht treaty.

The revised forecast of zero to "slightly negative" growth compares with earlier official predictions of 0.75 per cent growth. It threatens to prompt a crisis in the EC budget, where falling revenues have already forced the Commission to leave 1,000 posts unfilled.

Contraction also threatens to push unemployment beyond its present level of 17.4m, renewing doubts about EC member states' willingness to follow Maastricht's tough "convergence" criteria for European monetary union.

Mr Jacques Delors, European Commission president, paid a discreet visit to Bonn last Thursday for talks with Chancellor Helmut Kohl to discuss the deteriorating outlook for the EC economy and how to co-ordinate the position after the Danish referendum.

Yesterday Mr Philippe Maystadt, Belgium's finance minister, came out in favour of amending the convergence criteria.

EC finance ministers and the European Commission have generally avoided suggesting that the EMU criteria covering inflation, budget deficits and ratios of government debt to GDP should be changed. They fear undermining budget discipline and upsetting the German Bundesbank, which has ruled out short cuts to a single European currency.

Mr Maystadt's comments reflect concern in Brussels about the short-term deflationary impact of the convergence criteria on growth. They are likely to arouse attention because Belgium takes over the EC presidency from Denmark on July 1 and is often seen as a candidate for an inner-core monetary union, although its ratio of debt to GDP is excessive.

## Danish PM attacks treaty opponents as Yes vote strengthens

By Hilary Barnes in Copenhagen

THE DANISH political debate over the country's second referendum on the Maastricht treaty grew more bitter at the weekend as the final opinion polls before tomorrow's vote showed a modest strengthening of the Yes vote.

A Gallup survey, due for publication today, showed 54 per cent in favour of the treaty. The No vote had fallen from 32 per cent to 18 per cent undecided or not planning to vote.

Mr Poul Nyrup Rasmussen, the Social Democrat prime minister, sharpened his attack on the opponents of the treaty, using terms unusually harsh for Danish politics. "They're raving mad," he declared in a signed article in a Sunday newspaper.

At the only campaign meeting where he has met a leader of the left-leaning June Movement, the biggest of the anti-Maastricht organisations, face-to-face he lashed out at his opponent, Prof Niels Meyer, a physicist.

"The June Movement claims that Danish democracy will disappear if there is a Yes vote on Tuesday. I am astonished that well-educated people, even professors, can say this without blushing or a tremor in their voices," he said.

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■ Home loans and Euro-money  
PAGE 11  
■ Editorial Comment

The latest European Commission forecasts support the international Monetary Fund's prediction in April that growth in the EC would be flat this year.

They confirm the deep impact of the German recession on the European economy, but are believed to support the UK government's view that Britain is likely to grow faster than its main European competitors this year.

Mr Henning Christophersen, the Danish Commissioner responsible for economics, has delayed amending his earlier 0.75 per cent growth forecast until the last minute.

Like many of his fellow commissioners, Mr Christophersen has argued that a Danish Yes vote would speed ratification of the Maastricht treaty in the UK, spurring an improvement in business confidence.

Mr Delors is expected to use the new gloomy forecasts to press EC member states to beef up the Community's "growth package" in the run-up to the Copenhagen summit.

The plan mixes national measures such as a shift from current to capital spending on infrastructure and housing, with modest new Community lending to small and medium-sized businesses.

The EC budget is already overstretched. The freeze on overspending results largely from a rapid rise in pension costs for retiring EC officials who joined the Community at its inception in 1958.

Officials also point to the wave of recent currency devaluations in the European exchange rate mechanism which have led to a fall in the value of the Ecu, the unit in which all EC spending is calculated.



Bosnian Serb soldiers vote in the referendum on the Vance-Owen peace plan.

Town where mosques are rubble. Page 12

## Gerstner halts plan to break up IBM

By Louise Kelsoe in San Francisco

MR LOO Gerstner, International Business Machines' newly appointed chairman and chief executive, has stopped plans to break up the world's largest computer company.

Mr John Akers, who last month stepped aside as IBM chairman and chief executive in the wake of 1992 losses of almost \$5bn, had planned to sell interests in large parts of the business, which last year generated sales of \$64.5bn.

Mr Gerstner has told the group's managers that "the whole of IBM is greater than the sum of the parts", and reversed the strategy.

Mr Akers had spoken of plans for "variable IBM ownership" across the range of businesses... from wholly owned, to majority-owned, and minority-owned, or none at all, when he announced the planned restructuring 17 months ago.

The strategy had been proposed to find alternative ownership for Adstar, IBM's data storage products business with sales of \$6.1bn; Penam Systems, the company's \$2.3bn printer subsidiary; and IBM Personal Computers, a \$9.8bn business.

As recently as last December, Mr Frank Metz, former IBM chief financial officer, said the company was moving fast in gathering the financial data needed to complete the restructuring.

Although officials now discourage any speculation about spin-offs or divestment, Mr Akers' goal of decentralising IBM's management has survived.

Mr Jack Kuehler, IBM's vice-chairman, said the group was determined to decentralise decision-making.

Mr Gerstner's determination to keep IBM intact appears to have been a factor in his selection as the first company "outsider" to head the world's largest computer manufacturer. Some potential candidates for the post, including John Sculley, Apple Computer chairman and chief executive, had more radical ideas.

Mr Sculley, who confirmed that he had proposed a merger of Apple and IBM, is also believed to have suggested that IBM sell off its \$12.7bn mainframe computer business.

Mr Gerstner's rejection of a wholesale breakup of IBM may not, however, signal complete reluctance to take drastic action. IBM executives now acknowledge that the company may need to shed huge numbers of workers, well beyond the "more than 25,000" it has already committed itself to parting with this year.

## Germany faces need for second solidarity pact

By Quentin Peel in Bonn

THE German government will be forced to negotiate a second solidarity pact, designed to finance the cost of subsidies for east Germany, with employers and trade unions.

Now the government must persuade the opposition and trade unions that social welfare programmes, exempted from cuts in the first round, must be included in a solidarity pact mark two.

"The first solidarity pact cut expenses too little and raised taxes too much," according to one top government adviser. "This has to be reconsidered. It is not possible to find a solution only through tax rises and higher budget deficits."

The new tax revenue estimates produced by a working group of finance ministry officials, Bundesbank experts and outside advisers, suggest a shortfall of DM5.3bn this year, DM25.8bn in 1994, DM32.7bn in 1995 and DM40.7bn in 1996.

Actual tax revenues for 1992 are put at DM732bn, estimated to rise by a nominal 2.2 per cent to DM748bn this year, and by 5.1 per cent to DM786bn in 1994.

One important factor behind

the shortfall is sharply rising unemployment, which reduces disposable incomes and tax revenues while increasing the burden on social welfare programmes.

Officials in the finance ministry now expect the economy to contract by 2 per cent this year compared with initial forecasts of a fall of 1.5 per cent, while they fear unemployment will rise by 500,000 to 3.5m in 1993, and by a further 200,000 to 3m in 1994, in spite of gradual economic recovery.

The concern in government ministries is that in spite of the urgent need to make further cuts in government spending, the current upheavals in the main political parties mean no action will be taken for several months.

No new leader of the Social Democrats is expected to emerge before a party congress in September.

Mr Theo Waigel, the finance minister, is distracted by a struggle for power within his Bavaria-based Christian Social Union.

German industry problems remain, Page 3

## RAISED IN THE HIGHLANDS.



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Denmark	DKK40	Korea	KRW200	Switzerland	CHF100	Switzerland	CHF100
Egypt	EGP100	Latvia	LV100	Taiwan	TWD100	Taiwan	TWD100
Finland	FM12	Lithuania	LT100	Turkey	TL100	Turkey	TL100
France	FFR100	Malaysia	MYR1.25	Ukraine	UAH100	Ukraine	UAH100

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NEWS: INTERNATIONAL

Norwegian and Japanese whaling communities are united in their defiance of IWC moratorium

# Lofoten counters hostility Taiji sports credentials with optimism and resolve of tradition and culture

By Karen Foselli in Oslo

ANTAGONISTS call the people of Norway's Lofoten Islands "Arctic barbarians", yet the fishermen and whalers feel misunderstood and unjustly condemned by a world hostile to the way in which they make their living.

Today - Norway's Constitution Day - will be celebrated by the islanders while they anxiously await tomorrow's commercial whaling quota announcement by the government after a two-year battle with anti-whaling activists.

At the weekend, Lofoten's whalers began rigging their boats and testing their harpoons before resuming traditional coastal whaling, hopefully, they say, sometime this week. As the IWC deliberated in Kyoto, foreign media descended upon Lofoten asking how whaling could be so important to so few people that the entire nation would risk isolation by most of the rest of the world.

"You begin to wonder what the IWC has become and what real use it is since it refuses to listen to the advice of its own scientists," remarked Mrs Marietta Korsrud, wife of a Reine whaler and fisherman. "It calms me to have a government which makes decisions based on scientific results

because this is the only way in which the environment can be truly cared for. It's important for the world to know we are not barbarians." Mr Korsrud's father was a whaler, as was his grandfather.



The Lofoten Islands comprise six municipalities and a population of 25,000. Granite mountain peaks forming the jagged "Lofotwall" rise from the treacherous Norwegian Sea. Four of the municipality's seven whaling boats returned on Saturday with a paltry spring catch of four minke whales out of 50 allotted under research quotas. The whalers spent the last month battling storms around the Bear Islands in the Barents Sea

and in the West Fjord, which separates Lofoten from Norway's mainland.

Captain Olav Olavsen of the Nybræna said the weather was so severe, just 17 hours of whaling was possible. Last December, the Nybræna was partially sunk by US anti-whaling activist Paul Watson, who threatens further action once Norway resumes commercial whaling. Capt Olavsen was forced to take out war insurance coverage in order to remain in business.

This spring's catch was brought to auction on Saturday in Skrova and Myre in Vesterdaalen, where buyers paid Nkr22.50 (\$4.80) a kilo for the dark red meat, but they hope to get up to Nkr80 a kilo in the second-hand market. They say the meat will fetch Nkr120 a kilo in food stores around the country. According to Mr Tor Haug, the hunt's leader, it cost about Nkr100,000 a day for each of the four whaling boats to operate. Whaling represents about 50 to 60 per cent of the annual income of Lofoten's fishermen, who began coastal whaling in the 1920s.

Ms Zoelvi Pedersen, a spokeswoman for pro-whaling organisation High North Alliance, said Lofoten was disappointed Norway did not withdraw from the IWC but relieved the government was

to allow coastal whaling. The whalers themselves do not have huge expectations for high quotas. As Mrs Korsrud said: "They need quotas high enough to cover their operating costs - maybe 8 to 10 whales each, but will be thankful for what they get."



The whalers face continuing action from activists like these Greenspece demonstrators outside Oslo's Foreign Ministry

By Robert Thomson in Taiji, Japan

TAIJI is a whaling town and proud of it - two humpback whales are mounted above the entrance to the town, whale motifs are emblazoned on marble covers and it boasts a

harpoon boat museum.

Last week, 160 residents from the port in southern Japan protested in front of a Kyoto conference hall where the International Whaling Commission extended the moratorium on commercial whaling and angered the Japanese government.

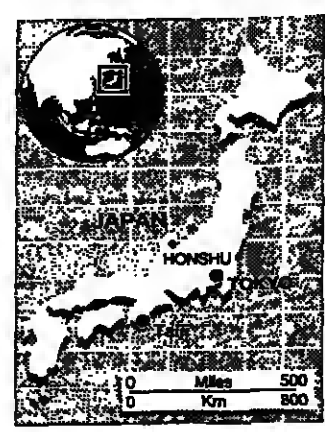
A frustrated Mr Setsuo Hamanaka, Taiji's mayor, stood with the protesters, who carried placards demanding that the delegates "respect differences in food culture" and suggesting that "France, get out of the IWC", a reference to the French proposal for a whale sanctuary in the southern oceans.

"The problem is that the IWC has become an environmental protection group and not a whaling management association," said Mr Hamanaka, who was yesterday guiding a Danish delegation around the town. "The IWC was never intended to be a love-the-animals commission."

Taiji is determined to convince visitors that the whaling history in the region, traced back more than 1,000 years, has taught the town to understand and "love" the whales.

Most of the residents still have links with the fishing industry, but the town is not much interested in presenting itself as another fishing port,

and wants to be known as "the town living with the whales." The result is a marine park, where killer whales charm tourists with their intelligence and tricks, a whale museum, whale meat restaurants, and



whale-shaped boats which cruise the nearby islands.

But the fluffy whale toys, the key rings, and blow-up mammals are not enough to satisfy the Taiji Fishermen's Co-operative which wants to get back into the business of whale hunting.

The co-operative takes the whaling ban personally and nationally, seeing Japan as suffering unfairly at the hands of the international community. The co-operative's

members complained that the people of Taiji are victims because the IWC does not understand the tradition of whaling culture in Japan.

That tradition is displayed in the local museum, where an old whaling boat has been reconstructed, and benign-faced whalers spear their prey. But the question of whether whales will survive modern whaling techniques is raised by Kyomaru No.11, a harpoon boat beached at the opposite end of Whale Park.

The Kyomaru No.11 takes credit for a haul of 12,638 whales and was part of a fleet which scoured the Antarctic in the 1950s and 1970s, bringing home the carcasses not for the local community, but for large Tokyo and Osaka companies.

Mr Hamanaka says Taiji's immediate ambition is to return to a community-based whaling programme, not large hauls for Tokyo companies. But a Japanese proposal for a community-based quota of 50 whales was rejected last week by a majority of IWC member nations.

"We didn't win that vote, but I think we are starting to improve international understanding," the mayor said. "But western nations must remember to respect our culture."

## US weighs legal action against Chilean over arms for Iraq

By Alan Friedman in Washington

THE US Department of Justice is facing a politically delicate decision on whether to indict a top Chilean arms dealer who used US technology in large-scale weapons sales to Iraq.

Mr Carlos Cardoen, who made a fortune in the 1980s as one of the biggest suppliers of cluster bombs and other weapons to Baghdad, has been under investigation since 1991 by US law enforcement agencies and federal prosecutors in

Miami. The Clinton administration's decision on the Cardoen case - expected in the next fortnight - could also have repercussions on other politically sensitive US prosecutions related to the arming of Iraq.

A year ago US prosecutors filed a civil suit against Mr Cardoen, accusing him of money laundering and of illegally exporting 100 tonnes of zirconium from the US to Chile in the 1980s; zirconium is a material that can be used in cluster bombs or other armaments.

US government officials have told

the Financial Times that a criminal indictment of Mr Cardoen for the zirconium deal was due to be unveiled earlier this year, but was put on hold after the CIA provided new information to prosecutors.

The CIA information indicated US government awareness as far back as 1984 of Mr Cardoen's likely military use of the zirconium shipments. At the weekend Mr Cardoen was quoted in the US as saying American officials were aware of his work in arming Iraq and of the planned use of the US shipments of zirconium.

He has also stated he communicated with the CIA about his Iraqi dealings, contradicting past denials by the Bush administration that the US intelligence agency had ever had any relationship with Mr Cardoen.

Mr Cardoen's claim that the Reagan and Bush administrations knew precisely what he was doing mirrors the defence in London last year of former executives of Matrix-Churchill, the UK machine tools company that was a Cardoen business partner and also supplied Iraq.

Other pending Iraq-related US cases could be affected by the Clinton administration's decision on Mr Cardoen, including the planned September trial of Mr Christopher Drogoul, former manager of the Atlanta branch of Italy's Banca Nazionale del Lavoro (BNL). Mr Drogoul was accused by the Bush administration of single-handedly organising \$5bn of clandestine Iraqi loans that helped to finance Baghdad's war machine.

BNL Atlanta provided letters of credit that indirectly financed equipment shipped to Mr Cardoen

by Matrix-Churchill, the company at the heart of the present arms-to-Iraq inquiry being conducted in London by Lord Justice Scott.

The Matrix-Churchill case collapsed last autumn after it was revealed that key executives were working with British intelligence services and receiving the UK government's blessing for their sales of militarily useful equipment to Iraq.

Mr Drogoul has claimed his activities were known about and approved by the Reagan and Bush administrations, and by BNL head-

quarters in Rome. The bank's head office has denied any knowledge of the BNL Atlanta loans.

It is believed, however, that US prosecutors in Miami may still feel able to go ahead with the indictment of Mr Cardoen if they can prove his specific intent to use the zirconium for military purposes.

Last year Ms Carol Hallett, the US customs commissioner, called Mr Cardoen a "merchant of death" as she unveiled the US civil suit which confiscated \$30m of his US holdings.



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## Kantor in the firing line for excess zeal on Nafta

By George Graham and Nancy Durne in Washington

THE Clinton administration may have run foul of US government ethics laws in its zeal to drum up support for the North American Free Trade Agreement.

Congressional critics say Mr Mickey Kantor, the US trade representative (USTR), may have overstepped the line by setting up a coalition of governors, mayors and state legislators in favour of Nafta, breaching a prohibition on any use of government money to organise a lobbying effort.

Congressman Collin Peterson, chairman of a House of Representatives government operations sub-committee, has asked the General Accounting Office to investigate USTR's involvement in the Nafta coalition, which he says raises "serious questions about potential ethical violations and possible criminal activities on the part of USTR officials and employees."

Mr Peterson leads an anti-Nafta coalition in Congress.

Trade has become a highly politicised issue under President Bill Clinton, as the administration has sought to build popular acceptance of economic benefits within free trade agreements such as Nafta or the Uruguay Round of

negotiations on the General Agreement on Tariffs and Trade.

At the same time, however, it has sought to stem protectionist currents in public opinion by taking tough enforcement measures against countries such as Japan.

Signalling the high priority Mr Clinton attaches to trade policy, Mr Kantor will, unusually, be joining heads of government, finance ministers and foreign ministers at the Tokyo summit of the Group of Seven leading industrial nations in July.

Although the US criminal code appears to impose a blanket ban on any use of government money to attempt to influence a member of Congress in any way, the law is in practice grey; administration officials are free to lobby Congress themselves, and may advise or inform outside groups.

Congressional aides suggest that USTR clearly overstepped that line by actually organising the Nafta coalition, to the extent of issuing press releases on its formation.

In a statement responding to Mr Peterson's letter, USTR insisted that the pro-Nafta coalition was entirely independent.

"At no time did anyone at USTR directly or indirectly ask

any individual to lobby the Congress. No US officials will be involved in staffing or funding the activities of this group," the statement said.

Some elected officials listed as members of the coalition, however, said Mr Kantor's office had contacted them about joining.

"I don't know if it began in the White House or began in Mickey Kantor's office, but it is Mickey Kantor's office that actually got in touch with me about being a part of this," said Mr Richard Raymond, a Texas state representative.

Some experienced former officials from Congress and the administration yesterday agreed that the Nafta coalition went beyond past efforts to win support for administration policy.

Mr Leonard Santos, a lawyer with the Washington firm of Perkins Cole and former trade counsel to the Senate finance committee, said it was "certainly outside the norm," although less blatant efforts to stimulate grassroots lobbying were common.

Other Washington trade specialists, however, viewed the action as well within normal usage.

Violations of the lobbying law are punishable by a small fine or prison sentence, but also by removal from office.

## Clinton to cut ship subsidies

By George Graham in Washington

US MERCHANT shipping lines are expected to start reflagging their ships in countries that offer lower crew and tax costs after a decision by the Clinton administration not to extend operating subsidies to ships working under the US flag.

According to the Washington Post, the White House overruled a proposal by Mr Federico Peña, transportation secretary, to continue operating subsidies to US shipping companies when current contracts expire in 1997 because they could not be accommodated in the budget plan.

Without subsidies the US merchant fleet is expected to dwindle to about 30 vessels plying cabotage routes to US destinations such as Alaska and Hawaii, where US flag vessels are required by law.

US flag shipping costs are substantially higher than the world market; recently the Agriculture Department had to find about \$385m in order to get Russia to accept the \$700m of food aid promised by President Bill Clinton.

Russia initially had declined the aid because of the cost of shipping three quarters of it on US flag vessels, as required by American aid law.

## Palestinians kill four in Gaza Strip

By Our Jerusalem Correspondent

TWO Israelis and two Arabs were shot dead by Palestinians in the occupied Gaza Strip yesterday, in the worst attack since the Israeli government sealed off the occupied territories almost two months ago.

The four men were trading vegetables outside a greenhouse at the Jewish settlement of Gadid, in the south of the strip, when gunmen opened fire from a passing car.

The Hamas Islamic Resistance Movement and the Fatah wing of the PLO - usually bitter rivals for Palestinian support in the territories - took responsibility for the killings in an unprecedented joint statement.

## Israeli government starts bank sell-off

By Our Jerusalem Correspondent

ISRAEL'S finance minister, Mr Abraham Shochat, yesterday announced the sale of 60 per cent of the shares in the country's Union Bank, calling the deal a "turning point" in the government's programme to sell off its bank shares to the private sector.

Mr Shochat said that the Eliahu Group, a group of private investors headed by Shlomo Eliahu, had valued the Union Bank at \$400m and had agreed to pay \$55m for 60 per cent of the shares.

The Union Bank is not one of Israel's leading banks, but Mr Shochat welcomed the sale as "the beginning of a process" that would see the government ultimately divest itself of its

controlling interest in the banking system.

He said the government hoped in the near future to sell off 20 per cent of the shares in Israel's largest bank, Bank Hapoalim, which has assets estimated at \$40bn.

The Israeli government became the effective owner of the country's banks a decade ago, after the October 1983 bank shares crisis. For years the banks had artificially boosted their own share prices, with stockholders treating their shares as government guaranteed bonds. A mass rush to sell the shares in October 1983, however, triggered the collapse of the national banking system, leaving the government with little alternative but to bail out the banks at a cost of more than \$9bn.

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مكتبات الأصيل



## Bosnia peace plan 'may be enforced'

By Leyla Boulton in Moscow and Laura Silber in Belgrade

RUSSIA yesterday suggested for the first time that the implementation of the Vance-Owen peace plan for Bosnia could begin even without the agreement of Bosnian Serbs, who were set to reject it in a weekend referendum.

Mr Andrei Kozyrev, the Russian foreign minister, stressed that the plan, supported by the presidents of Serbia, Montenegro and the rump Yugoslavia, was the international community's agreed position on the fighting in Bosnia.

The Russian foreign minister was speaking to reporters after talks in Moscow with Lord Owen and Mr Thorvald Stoltenberg, the international mediators.

Though he gave no details on how the plan could be implemented in the teeth of Bosnian Serb opposition, Mr Kozyrev said the UN Security Council might approve a new resolution on the subject this week. Like Britain and France, Russia has expressed strong reservations about US calls for air strikes and, particularly, for arming Bosnian Muslims.

Mr Kozyrev said ideas initially presented by the media as a new Russian plan were in fact just "a new Russian approach to the plan's implementation". He did not elaborate. But he said Russia would agree to send monitors to police Bosnian borders, with the object of checking off arms supplies to Bosnian Serbs.

"We need now to have some high-quality troops," Lord Owen told reporters at the end of his weekend trip to Moscow. "Even a contribution of 2,000 from the Russian Federation quickly would be very helpful."

Bosnian Serbs turned out in large numbers yesterday to vote in the referendum. They were expected to ignore the advice of the leaders of Serbia and Montenegro by voting massively against the Vance-Owen plan. In reply to a second question, they were also expected to vote in favour of an independent Bosnian Serb state, with the right to unite with other peoples and states. Turnout had already reached 60 per cent of the Bosnian Serb population of Bosnia by the end of the first day of voting, but the final result is not expected until Wednesday.

The international community has already dismissed the referendum in advance as illegal, because it is being held in a war zone where Serb electoral lists are out of date and in areas from which most of the non-Serb population has been expelled.

Meanwhile, Bosnian Serb forces pressed on with their assault on Muslim and Croat forces around the north-eastern town of Brcko, where they are trying to widen the corridor linking Belgrade with Serb-held territories in Bosnia and Croatia.

Bosnian Croat forces also launched a fierce attack on Muslim positions in Mostar, the south-western Bosnian city, after a week of clashes between the former allies.

Reuter adds: Bosnian Serb commander General Ratko Mladic yesterday signed a ceasefire agreement with Bosnian Croat military chief General Milivoj Petkovic covering the whole of Bosnia. The agreement, due to come into force at noon tomorrow, was signed at a meeting at Sarajevo airport attended by the commander of UN troops in Bosnia, General Philippe Morillon.

## Query for UBS on fund claim

By Ian Rodger in Zurich

THE Swiss Federal Banking Commission has asked Union Bank of Switzerland, the country's largest bank, to comment on statements by Mr Florio Fiorini, the imprisoned former head of the collapsed Sasea Holdings group, implicating the chairman of UBS in Italy's political corruption scandals.

Mr Fiorini has told Geneva prosecutors Mr Nikolaus Senn, UBS chairman, assisted in the transfer of funds from Eni, state-owned Italian energy group, through a UBS account in Lugano to the Italian Socialist party in the late 1970s. Mr Fiorini was finance director of Eni at the time.

Mr Senn, who was then UBS chief executive, initially denied the charge, published in the Swiss financial newspaper Cash two weeks ago.

He then admitted to Cash that Mr Fiorini had met him in 1981 and asked that information on the account - which had been closed - be treated with the utmost discretion.

In an interview with another newspaper published yesterday, Mr Senn said he could not rule out that Mr Fiorini had said the funds were destined for the Italian Socialist party.



Destroyed cars lie in front of a damaged building in the wake of the explosion

## Rome police suspect Mafia of blast

POLICE in Rome yesterday continued investigations into a car bomb that exploded on Friday night in a wealthy residential area of the capital, injuring 23 people, writes Robert Graham in Rome.

The police said members of the Mafia were the most likely instigators. Italy will be marking this week the anniversary of the Mafia killing of Mr Giovanni Falcone, the anti-Mafia magistrate, and the authorities have warned that the group is preparing to act against the state.

One theory is that the bomb was aimed at Mr Maurizio Constanza, one of the country's most popular chat show hosts who has been an outspoken opponent of Mafia tactics. His car passed by seconds before the bomb exploded

and only a wall saved him from serious injury.

However, the explosion did not bear the familiar signs of Mafia action and would be an unusual departure from the organisation's practice of concentrating terrorist action in its home base of Sicily.

Firemen were yesterday still clearing up debris in the street in the Parioli district of Rome where the explosion occurred. Some 80 apartment owners have been forced to leave their homes temporarily following the blast, which gouged a small hole in the road and devastated the facades of buildings for nearly 100m.

Police said the explosion was unlikely to be the work of any foreign organisation or a local subversive group.

## Belgian justice reforms

By Andrew Hill in Brussels

BELGIUM'S government is rushing through reform of its criminal justice and prison systems following a series of blunders, culminating in the suicide last week of the country's most notorious prisoner.

Patrick Haemers was found hanged in his cell on Friday morning. He had been accused of masterminding a series of hold-ups and the kidnapping of former Belgian prime minister Mr Paul Vanden Boeynants.

Haemers' trial had already been delayed once for lack of a jury and was undermined a fortnight ago by the armed break-out from a Brussels jail of two of the eight people accused alongside him. Haemers' lawyers claim he killed himself because he was demoralised by the delay in setting up the trial.

But the escape has raised fears in Belgium that violent armed gangs may be linking up to support one another. When one of Haemers' associates was recaptured 10 days ago, his supporters machine-gunned the facade of the police station where he was being held overnight and threw grenades through the windows.

## Spending curbs on healthcare hit drugs sales

By Paul Abrahams

GROWTH of the European drugs market continued to slow during the first quarter this year as governments struggled to control healthcare spending.

Underlying sales of prescription medicines in the top seven European markets increased only 2.1 per cent during the first three months. During the whole of 1992 the same markets grew 8 per cent.

The seven markets, about 85 per cent of the entire west European market, actually fell in dollar terms from \$11.923bn during the first quarter last year to \$11.166bn over the same period this year.

The figures, compiled by IMS International, the pharmaceuticals market research company,

include purchases by pharmacies, representing about 80 per cent of total drugs sales. The statistics exclude end-users such as hospitals.

Sales in Germany fell from \$2.942bn to \$2.527bn. Excluding exchange rates, they dropped 13.4 per cent, following price cuts introduced at the beginning of the year and followed by a price freeze.

France remains Europe's largest single market and the third largest in the world after the US and Japan. Spain, which has recently overtaken the UK as the fifth largest market, is now Europe's fastest-growing market for drugs sales, increasing 14.4 per cent, compared with the UK growth of 11 per cent. The British government is concerned about the UK drugs bill.

## German industry problems remain

THE agreement reached on Friday in the Saxon capital of Dresden between Germany's metal and electrical employers and the country's powerful engineering union, IG Metall, provides a formula for ending a strike which could have paralysed what remains of eastern German industry.

Yesterday, both sides were debating on the regional level whether the Saxon compromise reached by Gesamtmetall and the union could be applied to the metal and electrical sectors of the other four states.

If so, workers will be balloted today and if 25 per cent support the agreement, the strikes in this sector are expected to end on Wednesday.

But strikes in the steel sector, centred mostly in Berlin-Brandenburg, could continue after the breakdown yesterday evening of separate talks between the steel employers and the local IG Metall branch over this year's wage rises.

Regardless of the outcome in both cases, the Saxony compromise leaves unanswered how eastern German industry can become competitive and how productivity can improve.

For those small German and foreign companies already located in east Germany, the agreement offers little chance for further investment which could lead to the creation of new jobs in the region. Investments will be soaked up by a spiralling wage bill.

The Berlin-based German Institute for Economic Forecasting (DIW) recently showed that for 1993, eastern Germany's gross domestic product will exceed DM201bn (\$124.8bn) while the wage bill will exceed DM248bn. In western Germany, this year's GDP is estimated to total DM2,223bn, and wages DM1,555bn.

In practice this means that the Mittelstand, the small and medium-sized companies, will find it increasingly difficult to generate profits in eastern Germany. "There is little chance of sustainable growth if the labour costs are not kept down," said Mr Thomas Mayer, an economist at Goldman

Sachs. The DIW confirms this. Productivity in the metal, electrical and steel sectors in eastern Germany is already lagging behind its western counterparts by about 70 per cent, which means that unit labour costs in the east are 70 per cent above western German levels.

Through the strike weapon, IG Metall reinstated, in a modified form, the basis of the March 1991 contract, signed with the employers, which will

The strikes may be nearly over but the east is still not competitive, writes Judy Dempsey

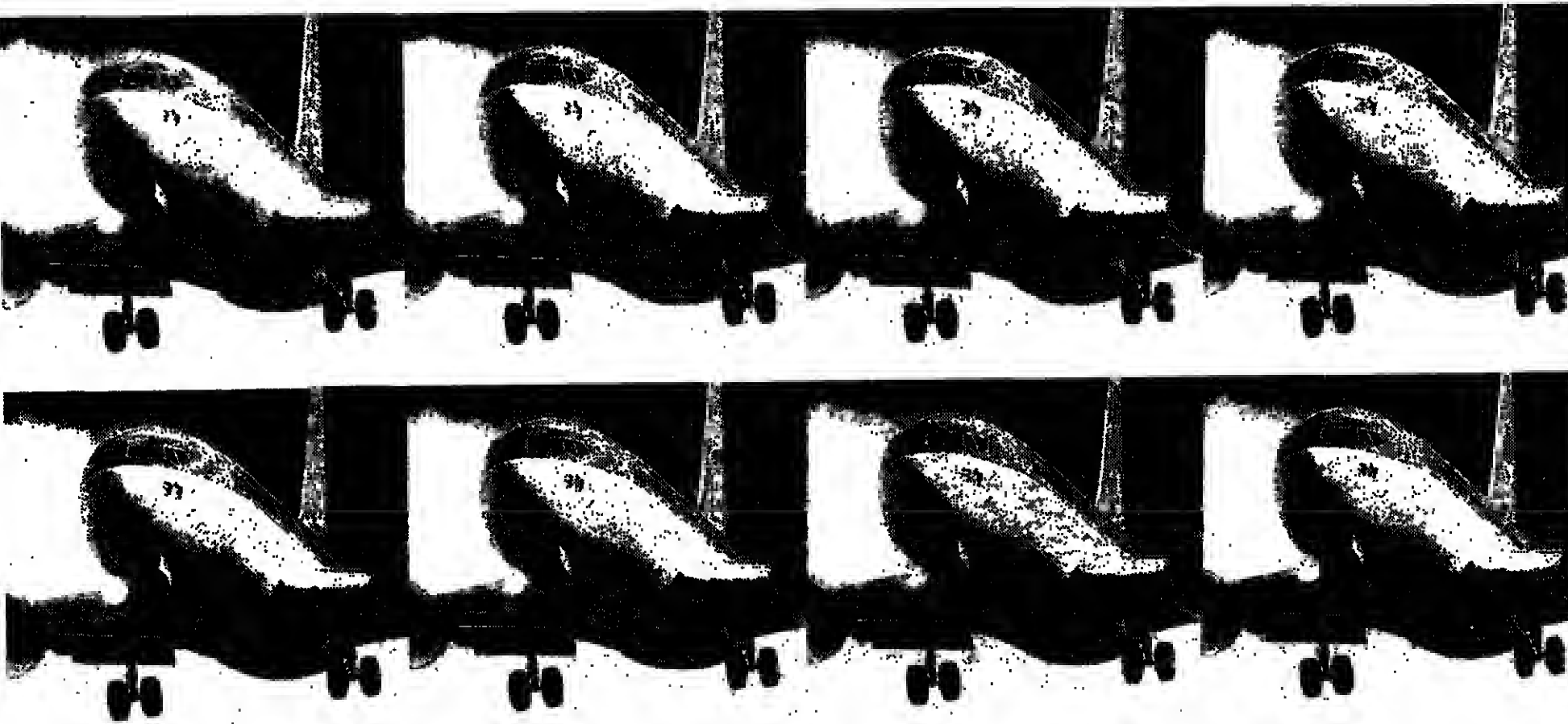
equalise eastern and western wages beginning in mid-1996. Instead of 1994. The principle of collective wage bargaining in the region has also been upheld.

Above all, the union used the strike to attack the Treuhand, the agency responsible for the privatisation of eastern German industry. Many of the targeted enterprises were under the Treuhand. If the agency manages to privatise sections of this remaining core, thousands could lose their jobs. This will push up the unemployment rate, which, taking into account job creation schemes and short-term work, is about 30 per cent of the region's labour force.

By targeting these enterprises, and later the privatised sector, IG Metall wanted to ensure that the future unemployed would receive higher unemployment benefits. "The German taxpayer will have to pick up the bill," said Mr Mayer.

Through this strategy the union has left little room for creating investment which would lead to job opportunities for its members. Indeed, this policy will not only reduce the union's eastern membership. It will also, as Mr Mayer points out, deprive eastern Germany of the stimulus for growth and competitiveness.

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## NEWS: INTERNATIONAL

# UK minister reveals vote desperation

By David Owen

SENIOR British ministers yesterday underlined how desperate the government is for a favourable outcome in tomorrow's Danish referendum on Maastricht by warning that a No vote would have "a fairly devastating effect".

On the BBC's Breakfast with Frost programme, Mr Kenneth Clarke, home secretary, said a No vote would "send shocks through western Europe". He added it would dent his personal optimism that a "fairly dreadful" year was improving.

The referendum comes as British Prime Minister John Major attempts to reassert his authority after this month's Conservative party election disasters.

He began this process last week with a determined speech to the Scottish Conservative Conference. A Danish No would deal a telling blow to the rehabilitation process, however.

Separately, Sir Edward Heath, the former Conservative prime minister, launched a devastating attack on the Tory Euro-sceptics, saying they would be hated for the rest of their political lives.

On BBC Radio 4's The World This Weekend, Sir Edward said

people were "furious at this small band of sceptics holding everything up month after month - absolutely furious." He added: "These people are going to be hated for all time. Think what they have done to our party."

Mr Clarke said a No vote would result in "a period of difficult rethinking" on Europe which "may well not emerge with solutions which the Euro-sceptics would like at all".

Member states "would have to consider how to continue to develop the EC despite the Danish rejection". He indicated Britain would be reluctant to press on without Denmark.

Mr Clarke was also at pains to reassure those who have expressed concern about the consequences of the Maastricht treaty's ratification that a Yes vote tomorrow would not encourage the government to just charge on with the European agenda.

"I do think it is extremely important... that we pro-Europeans remember the experience of Maastricht," he said.

"We went absolutely to the limits of keeping public opinion with us in the UK, in Denmark, France and elsewhere. We have to put in place the bits of Maastricht that reassured people."

## Hilary Barnes on confident forecasts for tomorrow's Danish referendum Pollsters hope it's second time lucky



### Danish referendum

lead for the Yes side in the opinion polls. The reason is not hard to find.

In a poll on May 31 before last year's vote, the Gallup Institute showed 55.7 for and 44.3 per cent against (after eliminating the don't knows). The actual result was a No - by 50.7 per cent to 49.3 per cent. The difference between the survey and the actual result was 12.9 percentage points.

There will have to be a landslide change of mind if the Noes are to win

Curiously, the Gallup poll a week before last year's vote gave a small No majority, as did two of the three polls monitored by the Financial Times.

It was Gallup's surveys in the final week that got it wrong. A comparative analysis of surveys in 1992 and this year by the three institutes - Gallup, published in the Berlingske Tidende newspaper, Vilstrup, published in Politiken, and Greens, published in

the Boersen business newspaper - suggests that a No this time would be more surprising than it was last year.

This year not a single survey since the beginning of February has given a majority for the Noes. Last year, nine out of 19 polls between early February and May 26, a week before the referendum, showed a No majority.

There are fewer don't knows this year. In polls published by the three institutes last week, Gallup reported 13 per cent undecided, Greens 11 and Vilstrup 8. A week before last year's vote, the figures were 18, 14 and 15 per cent.

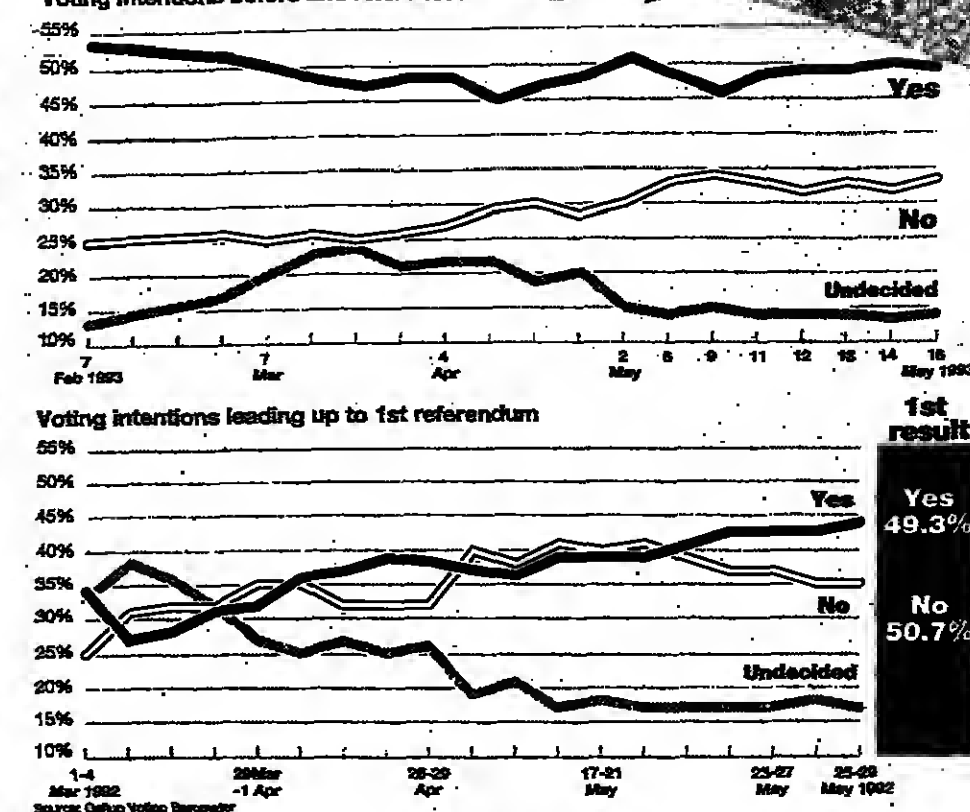
The average gap between Yes and No in the three polls last week was 22 points, with a 61-39 per cent majority for Maastricht (after eliminating the don't knows). Last year, a week before the vote, Gallup and Vilstrup showed a small No majority, Greens showed a Yes by 53.5 to 46.5 per cent.

In daily polls by Gallup in the final week up to the June 2 vote last year, there was a sudden and misleading (as it turned out) swing towards Yes. There has been no such swing, either way, in 1993. The Noes have gained ground this year from the beginning of February, when they were receiving 25-26 per cent of support, until the first week in May, when their support seems to have stabilised at about 32-34 per cent of the vote, including the don't knows and won't-votes, according to Gallup.

The Yes vote lost ground in the same period, but since the beginning of May it has consistently been around 43-50 per cent.

### Denmark decides

Voting intentions before 2nd referendum



where near crossing each other this year.

In a survey of the Greens last week, however, the percentage gap between Yes and No, after eliminating don't knows, was a relatively meagre 11 points.

Voters can still change their minds, of course, but, taking the average of the polls, there will have to be a landslide change of mind if the Noes are to win.

## Europe's car sales continue to fall

By Kevin Done, Motor Industry Correspondent

NEW car sales in west Europe dropped by 16.6 per cent last month as demand fell sharply for the fourth consecutive month. Sales declined by 29.6 per cent in Spain, 23.6 per cent in Italy, an estimated 16.5 per cent in Germany and by 11.7 per cent in France.

In the first four months west European new car sales have fallen by 17.6 per cent to an estimated 4.15m, from 5.04m in the corresponding period a year ago.

Most leading carmakers in Europe have been forced to implement short-time working and are cutting their workforces in the face of shrinking profits or mounting losses.

According to industry estimates, new car sales in April fell to 1.087m from 1.334m in the same month a year ago. Sales last month were lower than a year ago in 16 of 17 markets. Registrations rose only in Ireland.

The recent recovery in UK

new car sales faltered in April with a 1.9 per cent year-on-year decline. UK industry leaders claimed the fall was misleading, however, as sales a year earlier had been inflated by a reduction in car purchase tax.

In the first four months new car sales in west Europe were higher than a year ago only in the UK, with an increase of 8.2 per cent, and in Ireland.

Spain, Switzerland and the Netherlands all suffered declines in the first four months of about 30 per cent year on year, while sales have dropped by a fifth in Germany, Italy and France.

Rover, the UK car producer and a subsidiary of British Aerospace, was the only carmaker in west Europe to increase its sales volume in the first four months, with a rise of 9 per cent.

Among the big six volume carmakers, the Fiat group of Italy, which includes Alfa Romeo and Lancia, is being hit by the decline in its domestic market, where new car sales fell by 28.6 per cent in April.

### WEST EUROPEAN NEW CAR REGISTRATIONS

January-April 1993

Volume (Units) Volume Change (%) Share (%) Jan-Apr 93 Jan-Apr 92

TOTAL MARKET 4,151,000 -17.6 100.0 100.0

MANUFACTURERS: Volkswagen (incl. Audi, SEAT & Skoda) 702,000 -19.4 15.9 17.3

General Motors (Opel/Vauxhall, US & Saab) 524,000 -18.8 12.6 12.5

Opel/Vauxhall 503,000 -16.9 12.1 12.0

Seat 14,000 -23.2 0.3 0.4

Peugeot (incl. Citroën) 484,000 -18.3 11.9 12.1

Ford (Europe, US & Jaguar) 491,000 -16.3 11.8 11.6

Ford Europe 488,000 -16.5 11.7 11.5

Jaguar 3,000 -2.8 0.1 0.1

Fiat (incl. Lancia, Alfa Romeo, Ferrari, Innocenti, Maserati) 491,000 -21.9 11.8 12.5

Renault 438,000 -19.1 10.9 10.6

Nissan 145,000 3.5 3.3 3.3

BMW 134,000 -17.4 3.2 3.2

Toyota 114,000 -1.5 2.7 2.3

Rover 114,000 -9.2 2.7 2.1

Mercedes-Benz 112,000 -30.2 2.7 3.2

Mazda 78,000 -22.5 1.8 2.0

Volvvo 58,000 1.4 1.6 1.6

Honda 53,000 -17.2 1.3 1.3

Mitsubishi 51,000 -13.3 1.2 1.2

Total Japanese 507,000 -12.8 12.2 11.5

MARKETS: Germany 1,176,000 -20.1 28.3 28.2

Italy 760,000 -18.5 18.3 18.7

United Kingdom 589,000 -4.2 14.2 10.8

France 502,000 -18.8 13.3 13.9

Spain 239,000 -33.5 5.8 7.1

Source: Industry estimates

## France to renew sell-offs

By William Dawkins in Paris

THE French cabinet is due to table a draft privatisation law on May 26, to pave the way for an ambitious programme of state company sell-offs expected to start after the summer.

Terms and conditions will be similar to those in the last wave of wholesale privatisations, under the previous centre-right government of 1986-88, according to leaked details published by *Figaro*, the right-wing newspaper, over the weekend.

The strategy of globalisation, highlighted by a

The government is hoping to raise up to FF200bn (\$24bn) over four to five years from the sale of recently restructured industrial companies, the largest round of privatisations attempted in France. Likely candidates include Elf Aquitaine, the oil group, Rhône-Poulenc in chemicals, Pechiney in aluminium, and leading banks and insurers.

The main difference from previous state sell-offs is that the government will create stronger takeover defences for privatised companies in sensitive sectors and will try to build loyal long-term shareholders, according to the leaked details.

As in 1986, foreign stakes in privatised companies will be limited to 20 per cent. On top of this, foreign buyers could now be required to make some form of pledge to be long-term shareholders.

One likely innovation is that private investors will be allowed to pay for privatised shares in instalments, a marketing device borrowed from British state sell-offs.

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## Companies 'rethink strategy'

RECESSION in Europe and the threat of protectionism world-wide are forcing companies to reappraise strategies adopted in the 1980s, according to a report published today by a group of European economic research institutes, writes Peter Norman, Economics Editor.

The ERECO consortium of research institutes from Germany, France, Italy, the Netherlands, Austria and the UK said niche market strategies designed to position European companies in less price-competitive markets had backfired as recession had hit demand for luxury products and forced big price cuts on industries.

The strategy of globalisation, highlighted by a

five-fold increase in foreign direct investment between 1981 and 1991, could be imperilled if the world economy fragmented into trading blocks centred on the EC, Japan and the US, it added.

The report said European companies should strengthen their position in high-quality production rather than push further upmarket. It pointed out that Mercedes, the German car maker, has already decided to design new models to fit pre-defined price brackets rather than aim for the highest engineering standards.

Europe in 1997, *Euro 400 or £100 from Cambridge Econometrics, Covent Garden, Cambridge CB1 2HS.*

## Political row to put peseta to the test

By Peter Bruce in Madrid

THE Spanish peseta's new level in the European exchange rate mechanism may be put to the test this week as the political battle over last Thursday's devaluation escalates.

In the run-up to elections on June 6, the ruling Socialist and the conservative Partido Popular (PP) exchanged accusations over the weekend. If the PP insists on further interest rate cuts - the Bank of Spain trimmed its official rate from 13 per cent to 11.5 per cent the day after the peseta's 9 per cent devaluation - the peseta could come under pressure again.

With the PP and the Socialists running close in opinion polls, the markets will be watching developments carefully.

Prime Minister Felipe González accused Mr Jose Maria Aznar, the PP leader, of precipitating the final speculative attack on the peseta by revealing details of a conversation in which Mr González had tried to seek a deal not to attack the currency during the campaign. A few days later Mr Aznar had said Spanish interest rates should fall quickly.

In an interview with the Financial Times at the weekend Mr Aznar rejected this. "Mr González is beyond all shame," he said. "There was absolutely no agreement on silence at all and no one in this country can say a single word of mine has cost the country a single peseta of our reserves. What is more, I have resisted many voices who are urging me to make the most of this opportunity."

"The person responsible for the trouble Spain is in is Mr Felipe González."

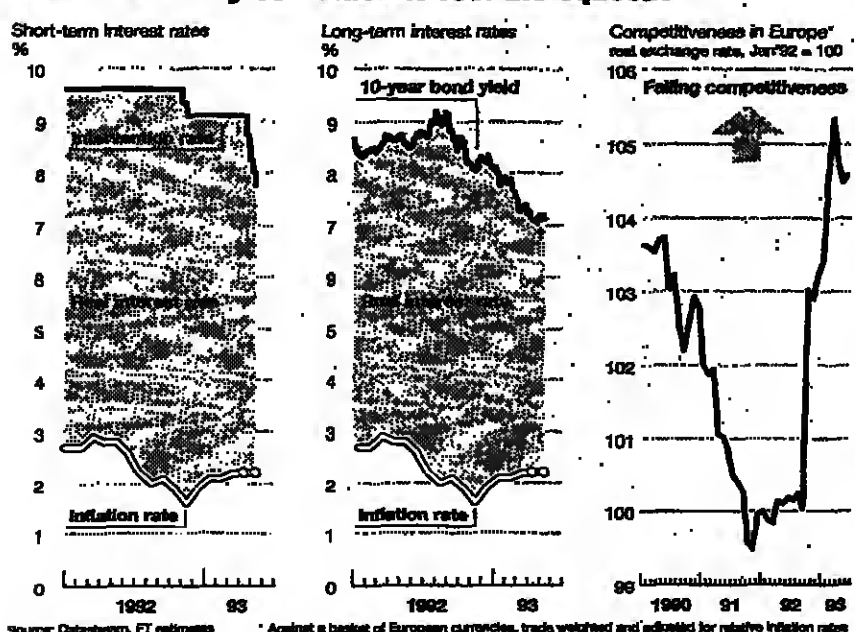
Anxious not to hand the struggling Socialists a lifeline, Mr Aznar, who is to meet British Prime Minister John Major during a visit to Britain today, would not say whether he was satisfied with the scale of the devaluation and the subsequent interest rate cut. "I will be satisfied when the Spanish economy begins to recover," he said.

Nevertheless, there are few early signs that the PP has managed to turn Thursday's devaluation - the third in less than nine months - to its advantage.

Two nationwide opinion polls published yesterday put the Socialists ahead.

Although the polls were taken before Thursday, they demonstrate how well the Socialist vote is holding up, despite the recession and divisions in the ruling party. The polls also continue to show that Mr González is more popular than Mr Aznar.

### French economy continues to feel the squeeze



Source: Datastream, FT estimates

## Franc fort policy wins the battle but not yet the war

SO THE French franc has survived. Last week's devaluations of the peseta and escudo within the European exchange rate mechanism confirm both the emerging two-tier structure of monetary relations in Europe and France's membership of the northern core of hard currencies which cluster around the D-Mark. But French industry will continue to pay a high price for some time yet before the franc fort policy can finally be declared triumphant.

French monetary policy has eased markedly in recent weeks as the pressure on the franc has eased. Official interest rates have been cut six times in six weeks, the latest ½ point cut in the industrial 5-10 day intervention rate to 7.75 per cent last Thursday brings the cumulative fall in official short rates to 1.85 percentage points since peaking in autumn. The more important three-month money market rate has fallen by nearly 5 percentage points since then, from its 12 per cent high.

Yet the real interest rate squeeze remains viciously tight. With annual consumer price inflation now barely above 2

per cent, short-term real interest rates are still well over 5 per cent, as the left-hand chart shows. They remain at least 2 percentage points higher than in Britain.

Nor are long-term real interest rates, more important for French fixed-rate borrowers, significantly less severe. Ten-year French bond yields are a little above 7 per cent, only half a point above German long rates. But if France's newly independent central bank is going to deliver German-style inflation rates over the next 10 years, then long-term French real rates are still very high. Nominal French long-term rates are now half a point lower than UK rates, but fixed investors are expecting a similar inflation performance from the dependent Bank of England.

French and German interest rates should fall further. But the loss of French trade competitiveness within Europe as a result of repeated devaluations by competitor currencies both within and outside the ERM will remain. More than 60 per cent of French exports are sold in European markets, of which half are sold outside the

ERM's northern core. But, against a backdrop of European currencies, weighted by their share of French trade in Europe, the French franc has appreciated by 8.6 per cent since last September.

This blow to export competitiveness is partially softened by the slow pace of French inflation relative to the rest of Europe. But the French real exchange rate, which measures trends in export price competitiveness by adjusting for relative inflation rates, has still appreciated since last September by 4½ per cent within Europe, as the right-hand chart shows.

The asserted realignments in the ERM since last autumn have, as a result, reversed the hard-won gains in competitiveness that the franc fort policy had accumulated. Between the beginning of 1987 and last summer, French competitiveness in Europe had risen by nearly 4 per cent. This occurred almost entirely because France had managed to maintain lower inflation than its European competitors, albeit at the cost of slower growth and rising unemployment. But the trade-

weighted appreciation of the franc since then has more than wiped out these gains.

These sacrifices have not necessarily been in vain. France does appear to have emerged from the ERM's recent turbulence with its inflation-fighting reputation substantially enhanced, in marked contrast to the UK. If the newly independent French central bank is able permanently to lock-in to inflation rates below 3 per cent, then this lost competitiveness can be quickly regained. But that implies more months of pain for French industry while the other more inflation-prone countries of southern Europe, accelerates. The real test of the French political commitment to the franc fort policy begins now.

Edward Balls

CORRECTION. In the chart that accompanied international economic indicators on May 10, 1993, the label "national investment" in the top section should have read "national saving".

### INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS

Yearly figures are shown in index form with the common base year of 1985. The real exchange rate is an index throughout; other quarterly and monthly figures show the percentage change over the corresponding period in the previous year and are positive unless otherwise stated.

■ UNITED STATES					■ JAPAN					■ GERMANY					■ FRANCE					■ ITALY					■ UNITED KINGDOM				
Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate	Consumer prices	Producer prices	Earnings	Unit labour costs	Real exchange rate
1985	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1986	101.9	98.6	102.2	99.4	83.7	100.8	95.3	101.4	103.3	118.2	99.9	97.5	103.8	103.7	107.0	105.1	103.2	104.8	105.6	104.8	104.3	104.3	107.7	104.5	94.2	108.6	103.8	108.6	103.8
1987	105.8	100.7	103.8	98.7	74.8	101.2	92.5	103.1	100.8	123.3	100.1	95.1	108.0	105.9	110.5	108.8	102.8	111.1	104.3	101.8	116.5	106.8	118.4	108.7	103.8	113.0	113.2	106.9	101.8
1988	109.8	103.2	106.8	98.1	71.4	102.2	92.3	107.8	99.2	130.0	101.4	96.2	112.3	106.7	109.9	108.8	102.8	111.1	104.3	101.8	116.5	106.8	118.4	108.7	103.8	113.0	113.2	106.9	101.8
1989	115.2	108.5	110.0	98.9	75.0	104.9	94.2	114.0	96.1	128.1	104.2	99.3	112.3	107.7	108.4	112.8	104.4	115.4	105.5	99.8	131.2	117.5	134.7	118.9	108.5	133.3	128.0	105.8	108.5
1990	121.5	113.8	113.8	100.9	71.8	106.2	95.7	120.1	98.2	106.2	107.0	101.0	123.8	106.2	110.5	118.5	107.1	120.8	110.0	102.9	131.2	117.5	134.7	118.9	108.5	133.3	128.0	105.8	108.5
1991	128.9	118.3	117.3	103.5	71.3	111.8	98.8	124.4	101.8	118.2	110.7	103.4	131.8	114.7	108.4	120.2	105.8	125.8	114.3	101.3	140.9	121.7	147.8	131.3	107.7	141.2	133.0	105.2	108.5
1992	130.4	117.7	120.1	103.1	70.8	113.8	95.8	126.1	110.5	118.7	115.1	104.8	121.1	110.5	110.5	123.0	104.0	130.3	104.7	147.7	124.0	155.8	102.4	146.4	138.0	178.1	132.4	102.8	
2nd qtr:1992	3.1	1.3	2.9	-0.5	71.2	2.8	-1.0	2.4	8.7	116.8	4.5	2.0	n.a.	3.8	108.7	3.1	-1.1	n.a.	1.8	103.3	6.5	8.0	4.8	106.6	4.2	3.8	5.8	1.2	107.8
3rd qtr:1992	3.1	1.6	2.3	-0.1	88.1	2.0	-0.9	1.0	8.7	117.1	3.5	1.0	n.a.	3.1	112.2	2.7	-0.2	n.a.	2.5	105.2	5.2	5.9	3.7	108.7	3.8	3.5	6.2	2.0	105.7
4th qtr:1992	3.0	1.5	2.0	-0.8	72.2	0.9	-1.2	0.2	8.4	128.1	3.7	0.6	n.a.	2.7	113.3	2.2	-1.5	n.a.	108.1	4.8	2.2	2.9	80.0	3.0	3.4	5.7	-0.1	92.9	
1st qtr:1993	3.2	1.8	2.6	-1.7	74.3	1.2	0.8	0.2	8.2	129.2	4.3	0.5	n.a.	11.3	113.3	2.1	n.a.	n.a.	109.2	4.3	2.2	2.9	85.9	1.8	3.7	5.7	-0.1	92.7	
2nd qtr:1993	3.0	1.1	2.6	-0.7	71.4	2.3	-0.9	1.1	11.8	118.4	4.8	2.0	n.a.	1.7	108.5	3.1	n.a.	n.a.	103.4	5.7	2.1	4.6	n.a.	105.8	4.3	3.5	7.0	2.4	108.2
3rd qtr:1993	3.1	1.8	2.6	-0.3	70.0	2.5	-1.0	3.8	5.7	118.1	4.2	2.0	n.a.	4.3	106.0	3.0	n.a.	9.8	103.8	5.4	2.1	4.7	n.a.	105.5	3.8	3.8	5.6	1.8	108.2
4th qtr:1993	3.2	1.7	1.7	-0.2	85.5	2.0	-0.8	2.3	8.8	116.8	3.3	1.1	n.a.	5.5	111.1	2.8	n.a.	n.a.	104.4	5.4	1.9	4.0	n.a.	106.2	3.7	3.4	5.8	3.0	107.8
1st qtr:1994	3.2	1.6	1.9	-0.4	87.9	1.8	-0.5	1.4	116.4	111.1	3.5	1.1	n.a.	5.2	110.5	2.7	n.a.	n.a.	104.8	5.2	1.8	3.5	n.a.	106.5	3.6	3.4	6.5	1.7	107.0
2nd qtr:1994	3.0	1.8	2.5	0.3	68.1	2.2	-0.9	1.4	5.8	118.1	3.6	0.8	n.a.	4.3	110.2	2.6	n.a.	3.5	106.5	5.1	1.8	3.7	n.a.	100.4	3.5	3.4	6.5	1.7	107.0
3rd qtr:1994	3.2	1.7	1.7	-0.4	70.3	1.2	-1.1	1.5	8.8	121.8	3.7	0.5	n.a.	7.8	113.7	2.4	n.a.	n.a.	106.8	4.9	2.0	4.1	n.a.	92.8	3.6	3.3	6.3	1.1	102.3
4th qtr:1994	3.0	1.4	1.7	-1.0	73.1	0.8	-1.1	1.5	8.4	122.4	3.7	0.5	n.a.	8.4	112.3	2.1	n.a.	n.a.	108.0	4.8	2.2	4.1	n.a.	94.7	3.2	3.3	6.3	0.3	93.6
1st qtr:1995	2.9	1.6	2.5	0.9	73.3	0.9	-1.2	-0.7	10.3	122.3	3.7	0.5	n.a.	8.0	113.5	2.0	n.a.	3.8	107.9	4.6	2.5	2.4	n.a.	94.7	3.2	3.3	5.6	0.3	93.6
2nd qtr:1995	3.3	1.8	3.4	-2.1	74.4	1.0	-1.1	-2.7	10.4	122.0	4.4	0.8	n.a.	11.3	114.4	2.1	n.a.	n.a.	108.5	4.2	2.1	4.2	n.a.	98.0	2.8	3.5	5.4	-0.7	93.4
3rd qtr:1995	1.8	2.6	1.8	2.5	1.8	1.8	2.5	1.8	1.8	123.4	4.2	0.5	0.0	11.3	113.4	2.1	n.a.	n.a.	109.8	4.4	2.1	4.2	n.a.	98.0	1.8	3.8	5.0	-2.6	94.8
4th qtr:1995	3.1	2.0	2.5	-1.4	74.0	1.2	-2.3	n.a.	130.0	142.2	4.2	0.3	n.a.	11.3	113.1	2.2	n.a.	3.4	109.2	4.2	2.2	4.2	n.a.	98.0	1.8	3.7	4.9	-2.6	94.8
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# Government faces calls for policy U-turns

By David Owen

THE GOVERNMENT is coming under intense pressure to follow last week's U-turns over school-tests and court fines with new climbdowns on rail privatisation and the collection of pension payments from post offices.

disaffected MPs in the ruling Conservative party.

It is also under pressure to back away from proposals which might compel pensioners to have payments made by automated credit transfers.

The Treasury is thought to be keen for more benefits to be paid in this way rather than being collected from post offices.

majority down to 18 - the government might well be forced into an occasional climbdown. "We may have to tack a little here, manoeuvre a little there. That's politics," he said.

The government is also facing the prospect of piloting a long and complicated finance bill through its committee stage - when MPs scrutinise the plans in detail - without having its revenue-raising proposals diluted.

After facing down attempts to amend its proposed reform of the North Sea tax regime and weathering a mini-rebel-

lion over imposing value-added tax on domestic fuel, it is thought that proposed changes to the company-car tax system could provide another potential flashpoint.

The MPs backing changes to the government's planned rail privatisation intend to propose a series of amendments to the bill for consideration in the Commons next week.

Among likely amendments is one that would permit British Rail to bid against the private sector for rail franchises. Others would seek to guarantee that Travelcards and senior cit-

izens' railcards would not fall victim to privatisation.

Tory MP Mr Keith Speed said yesterday the proposals were designed to make rail privatisation "popular and workable." None of them would undermine the principle of the bill, he said.

Hinting at a possible rebellion if the government showed no flexibility, he said his "strong hope" was for ministers to decide they could accommodate the changes.

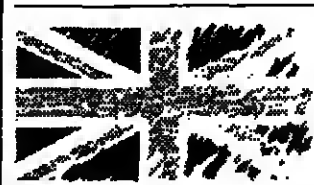
Mr Tim Rathbone, another Tory backbencher, said the changes were "in no way"

wrecking amendments. They were being suggested by MPs who favoured the privatisation process but had some qualms about the method.

Mr Peter Bottomley, a former junior minister, said the government needed to find an extra £500m a year for the railways for capital investment.

Rail privatisation may well be an issue in the forthcoming parliamentary by-election caused by the death of Mr Robert Adley, chairman of the cross-party transport select committee and a prominent critic of rail privatisation.

## Britain in brief



## Reprieve for Swan Hunter on frigates

Price Waterhouse, receivers to Tyneside shipbuilder Swan Hunter, last night secured a short-term agreement from the Ministry of Defence that work should continue on the Royal Navy's Type 23 frigates which are the company's main workload.

The announcement also said Swan Hunter's 2,200 employees in north east England should report for work this morning and confirmed there will be normal working at the company on the three frigates this week.

Keeping the frigates on the Tyne for outfitting could hold out a lifeline of securing more contracts and finding a purchaser for the company, which went into receivership on Thursday.

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until a hearing on May 25.

Mr Sugar, the electronics millionaire who owns 48 per cent of Tottenham, had offered to buy Mr Venables' stake at the price he paid for it. Mr Venables has invested about £3m in the club, buying most of his shares at 75p. If he received £3m that would be less than the £3.2m market value of the stake at Friday's closing price of 89p and it would also represent a loss on his financing costs.

## Boom forecast in discounting

Discount retailing will remain the fastest-growing sector of UK retailing even when the recession is over, according to a report by Verdict, the retail research company.

Experience in the US and Germany, where discounting is far more developed even though they have stronger economies than Britain, suggests the UK is ripe for further expansion.

## BR cuts back compensation

Money paid out to British Rail passengers whose trains are late or cancelled has dropped by more than half since the introduction of the Passenger's Charter.

Latest figures confirm predictions that the charter would leave passengers no better off than they were under the unpublished refund scheme that existed before.

British Rail says it has not yet worked out how much compensation it has paid since the charter came into operation, but estimates that the figure is running at a little more than £3m a year. In 1991, the last year full year before the charter was introduced, British Rail paid out £7m - although that figure was boosted by disruption to services caused by what BR dubbed the "wrong kind of snow".

## Demand grows on ferry routes

Cross-Channel ferry companies have enjoyed a busier than expected winter season. Sealink Stena reported a 16 per cent increase in passengers on the crossing in the first three months of 1993. The company carried 1.3m passengers, compared with 1.15m in the same period last year.

Its main rival, P&O European Ferries, carried 1.6m passengers on the Dover-Calais route.

## British Telecom to diversify into satellite TV sales

By Clive Cookson, Science Editor

BRITISH Telecom plans to make its first move into the fast-growing home entertainment market later this year, by selling dishes to receive BSkyB broadcasts from the Astra television satellite.

Entertainment is potentially the biggest avenue of diversification for BT, which is coming under increasing pressure from new competitors in its traditional markets of telephone and business communications.

BT is in the final stages of negotiation with two electronics companies to manufacture satellite dishes and associated equipment in the UK. They are expected to go on sale in the autumn.

The move will throw BT's marketing muscle behind BSkyB; the two companies are believed to be discussing a deal that would give each some access to the other's customers. Pearson, owner of the Financial Times, has a significant stake in BSkyB.

At the same time, BT will provide powerful new competition for Amstrad, Mr Alan Sugar's company, which so far has been the largest UK supplier of satellite dishes and receivers. BT is unlikely to undercut Amstrad's prices significantly but it is expected to compete on what it believes to be a superior record for product and service reliability.

According to the final FT Satellite Monitor, published last month, about 3.2m homes in the UK can now receive satellite TV - at least 2m through

their own dish and the remainder by cable or community aerial.

UK sales of dishes and associated equipment are worth around £120m a year, not a large target for a company of BT's size. But BT wants to use it as a way into the huge new market emerging through the three-way "convergence" of entertainment, telecommunications and computing. Other signs of BT's ambitions are its home videophone launched last month and recent agreements with US and European electronics companies to develop personal computers with "multimedia" facilities.

Telecom executives are becoming increasingly impatient with the restrictions of BT's license, which does not allow them to provide entertainment channels. Competitors, on the other hand, can offer telephone services through cable TV networks.

The experience gained from selling and servicing satellite dishes and any associated marketing agreement with BSkyB would be useful preparation for the time when BT is permitted to use its fibre optic network for television.

Recent discoveries in optical electronics make it possible to send the millions of telephone calls down a single glass strand as thin as a hair. As a result, the network is likely soon to have a vast excess capacity - and some BT executives would like to use it for new forms of entertainment such as interactive game shows that enable all the viewers to join in.



Action replay: Arsenal goalkeeper David Seaman gets to the ball ahead of Sheffield Wednesday player Mark Bright during Saturday's FA cup final, the showpiece of the English soccer season. The match, watched by an estimated worldwide audience of 250m, was criticised as lacklustre by commentators after it ended in a 1-1 draw. The teams meet again on Thursday for the replay

## Bank predicts upswing in borrowing

By Emma Tucker, Economics Staff

BORROWING in international banking and capital markets will be boosted this year by substantial refinancing needs as debt issued in the late 1990s matures, and demand for funds from the public sector continues, according to the Bank of England's quarterly bulletin.

large part of the borrowing refinancing existing debt, net borrowing was broadly the same as in 1991.

Political uncertainties in Europe in the second half of the year, along with exchange rate and interest rate volatility, prompted investors to shift from the Ecu and high-yielding currencies to "safe havens" such as the dollar and the D-Mark, according to the bulletin, to be published tomorrow.

In the first six months of last year, when Europe appeared to be heading towards economic

and monetary union, investors bought high-yield European bonds in the belief that convergence of European inflation and interest rates would provide capital gains.

Seitment switched after Denmark rejected the Maastricht treaty and realignments of currencies in the European Exchange Rate showed that exchange rates "were not immutably fixed".

Elsewhere in the bulletin, the Bank says London remains the leading centre for international bank lending, ahead of

Japan. Of the international business in London last year, the strongest growth was generated by EC banks, particularly French and German.

The Bank is considering a new method for measuring monetary growth in the economy following widespread dissatisfaction with existing measures of the money supply.

The bulletin concludes that a "divisia" measure of money might have a closer relationship with total expenditure in the economy than conventional monetary aggregates.

## Brussels to get new aid map

The government is expected this week to submit to the European Commission its redrawn assisted areas map, the subject of intensive lobbying by regions around Britain.

The map will specify areas in which companies can qualify for UK government and EC regional aid.

Publication was expected early this year. Last month the government said it was being delayed until after the May local elections. As the EC may take up to eight weeks to decide on ratification, publication may not be until July.

## Spurs battle escalates

The battle between the two key shareholders at Tottenham Hotspur, the north London football club, escalated after it emerged that Mr Alan Sugar, the chairman, offered to buy the stake held by chief executive Mr Terry Venables.

Mr Venables, who owns 22 per cent of the company, is fighting the attempt to dismiss him and on Friday obtained a high court injunction reinstating him as chief executive

## Kevlar\* protects against injury. Sontara\* and Tyvek\* protect against infection.



**B**acteria can jeopardize the most careful surgical work. Despite today's high standards of hygiene, potentially fatal wound infections still occur during 5% of all surgical operations. Surgeons are also potentially at risk if, for example, they accidentally injure themselves with a scalpel while operating an HIV-positive patient.

Thanks to DuPont's development work, however, these risks can now be reduced considerably.

**Bacteria stand little chance**  
Sontara, a spunfaced fabric specially developed by DuPont, is a blend of polyester fibre and wood pulp. It is used by companies like Mölnlycke and Sontara provides a significantly improved barrier against bacteria compared with conventional cotton gowns and drapes.

Baxter for operating gowns and drapes. According to tests by Professor Werner at the University Clinic of Mainz, Germany, Sontara provides a significantly improved barrier against bacteria compared with conventional cotton



Sontara increases hygiene standards



Sterile packs of Tyvek are tear- and puncture-resistant

gowns and drapes. And as Sontara is also liquid-repellent, surgeons and theatre staff are protected against blood-transmitted germs.

Operating gowns and drapes of Sontara release 12 times fewer particles through linting than gowns made with conventional textiles. During surgery, these particles can transmit microorganisms which could cause infection. Non-wovens are also safer because they are

not prone to damage in washing and transit, which puts sterility at risk. At Duke University Medical Center, Durham, USA, post-operative infections have dropped from 6.51% to 2.83% since the adoption of gowns and drapes made of Sontara.

**Permanently sterile packs**  
Tyvek is a spunbonded material made from microscopically fine, high-density continuous polyethylene fibres. It is

Although the structure of Tyvek is a barrier against bacteria, it is gas permeable

tear-, puncture and water-resistant, lint-free and impenetrable to bacteria: all properties that make it ideal for sterile packaging. And since packs are heat sealed rather than adhesive-bonded, they are easily opened. Although the structure of Tyvek is a barrier against bacteria, it is gas permeable.



It is, therefore, perfectly suitable for gas and gamma-ray sterilisation. For all these reasons, Tyvek is used extensively for sterile packs by leading medical equipment manufacturers like Abbott, Baxter, Fresenius and Viggo-Spectramed.

**Operating gloves**  
protect surgeons. For the same weight, Kevlar para-aramid fibre has five times the tensile strength of steel. It is also flexible and cut-resistant.

Seamless operating gloves of Kevlar provide additional security, for example, against AIDS pathogens

This remarkable fibre is now also widely used for medical purposes. Seamless operating gloves of Kevlar provide additional security, for example,

against AIDS pathogens. Disposable sterile gloves of Kevlar are worn between two thin latex gloves. They have the advantage of being soft and flexible so as not to limit dexterity, and are cut

resistant. Under normal conditions, even a scalpel cannot cut through them. In the U.S.A., protective gloves of Kevlar are in widespread use. In addition to surgeons and operating theatre staff, they are used by dentists, emergency personnel and others working in exposed situations.

Innovations from DuPont  
Sontara, Tyvek\* and Kevlar\* are developments of DuPont's Engineering Fiber Systems as are Nomex\*, Teflon\*, Tyvar\*, Cordura\*, Zeldrain\* and high tensile

Nylon. These products have opened up new perspectives in numerous areas ranging from household goods to space vehicles.

DuPont is an innovator. Over \$1.3 billion is spent annually by more than 80 R&D and customer services laboratories worldwide, to continually improve products and services.

**DuPont engineering Fiber Systems**  
P.O. Box 50  
CH-1218 Le Grand-Saconnex (Geneva)  
Telephone: (022) 717 5111  
Telefax: (022) 717 5109



Part of our lives







## CONSTRUCTION CONTRACTS

## PEOPLE

### London housing scheme

BOVIS CONSTRUCTION, the P&O company, is to assist Waltham Forest Housing Action Trust to manage a £200m demolition and rebuilding programme in east London.

Preconstruction work on the development of four large system-built housing estates in the borough of Waltham Forest is already under way.

The government-sponsored HAT scheme involves demolition of 1960s/70s tower and slab blocks, to be replaced by low rise housing.

### Social housing

JOHN MOWLEM HOMES, part of the John Mowlem Group, has won a £26m project for a mix of social and low cost private housing at sites B and C of Blackbird Leys, on the south side of Oxford.

The £16m social housing development, one of the largest of its kind in the south, is for a consortium of housing associations led by Ealing Family Housing Association and the City of Oxford, which is the enabling authority.

The project covers an area of 22 acres and comprise 466 dwellings, of which 38 are for special needs and 60 for shared ownership, together with a community centre, shop, play areas, a linear park and infrastructure.

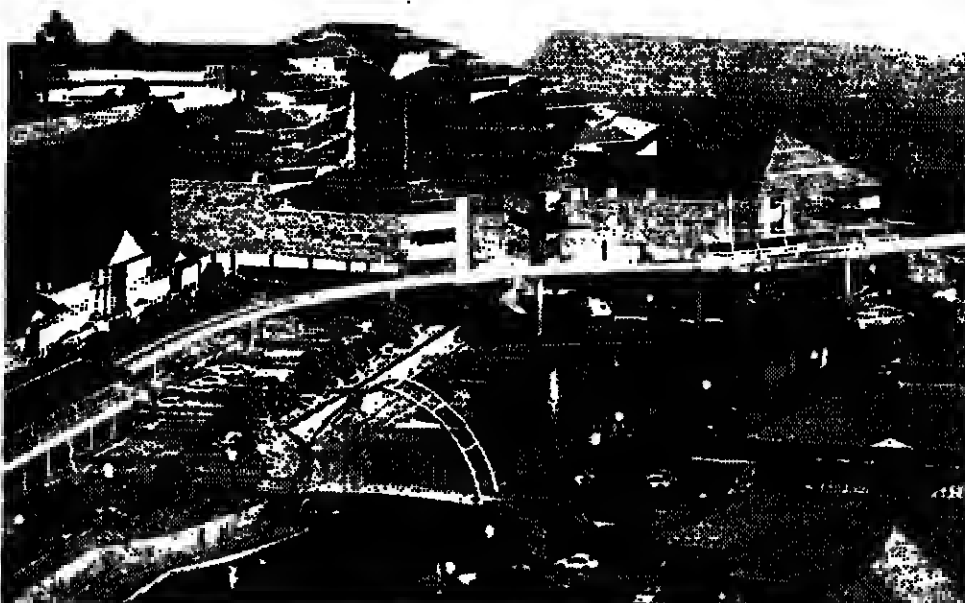
A further 11 acres adjacent to the development have been acquired by Mowlem from the city to build for private sale more than 200 one, two and three-bedroom houses.

### Computer plant

MILLER CONSTRUCTION has won the contract to design, manage and build a £20m computer assembly facility at Faulds Park, Gourock. The plant will be occupied by the computer electronics manufacturer Mimatec.

Using "fast-track" construction methods, the facility, located on the side of a hill on former farm land overlooking the Firth of Clyde, will be completed by the end of this year. At its peak, the project will lead to the creation of 200 jobs by Miller Construction.

### Midlands office development



One of the more spectacular office blocks in the Midlands - Point North - is being built at Brierley Hill, Dudley.

The £8.4m design and build contract for the building (pictured above) has been awarded to TARMAC CONSTRUCTION by Richardson Developments.

Point North will stand at the heart of the £200m Waterfront office complex on the 300-acre former Round Oak steelworks site, now an enterprise zone.

The 96,000 sq ft building will cascade down through six stepped storeys to the edge of the inland waterways marina at the heart of the Waterfront.

Point North will enclose a quiet courtyard which will open on to landscaped terraces by the waterside.

The architecture is enhanced with tinted glazing, pitched roofs and circular glass columns. A three-storey circular drum, highly glazed and with external balconies, will accommodate a conference suite.

Work will involve project managing the design and construction of laboratories, research facilities, workshops and office accommodation at the eight sites: Aquila, Farnborough, Haslar, Portsmouth West, Pyestock, Rosyth, West Drayton and Winfrith. The company will also be responsible for the transfer of staff and facilities to these sites.

operational sites throughout the country. About 30 of these sites are permanently manned and house nearly 11,000 staff of which almost half are employed on support services. The DRA plans to invest significantly in eight primary sites, substantially to consolidate activities on three others and to vacate 15 sites; the work is required to improve efficiency.

The DRA has a total of 54

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### Euromarkets veteran turns to NatWest

John Sanders, a familiar figure in the Euromarkets in the mid 1980's, is to resurface at NatWest Markets, where, with the title of managing director, he will be responsible for client marketing and business development on the investment banking side, reporting to chief executive Martin Owen.

Sanders, 50, agrees the job, which he starts in July, will be "very different" from his current assignment as chairman of Royal Bank of Canada Europe, but he also believes he is joining "an enormously powerful institution in its infancy".

NatWest recently merged its wholesale businesses - treasury, corporate and investment banking - under the one umbrella.

He says he is looking forward to working with clients without direct line-management responsibility.

After seven years with Royal Bank of Canada he had reached a natural parting point, he adds.

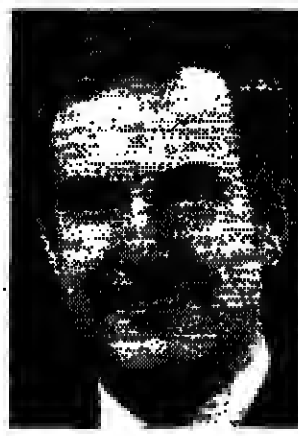
John Howland-Jackson, who arrived three months ago from Nomura as senior managing director in charge of investment banking, says he and Sanders will work very closely together.

The two already know each other well, "having both lived in the Euromarkets for the last 20 years." Howland-Jackson adds: "This elevates our marketing to a higher level. We have got more technical investment banking skills than some

people imagine, but because of our origins in retail banking, we are not blessed with an oversupply of executives experienced in dealing at the most senior level in investment banking matters."

Having run international capital markets at S G Warburg, and been the first chairman of the International Primary Markets Association, Sanders moved to the Royal Bank of Canada group, initially as chairman and chief executive of Orion Royal Bank.

He then entered a phase during which, as he agrees, he "did a lot of closing down". Notably Orion's Eurobond and gilt-edged securities business followed later by stockbrokers Kitkat & Aitken.



Hans-Jürgen Schinzler, 52, chairman of the board of management of Munich Re, has been appointed a non-executive director of S G Warburg Group. He succeeds Horst Jannott, who died in



## MANAGEMENT

The differences between blue- and white-collar employees are disappearing, writes Robert Taylor

## Rubbing out the dividing line



This has heightened the demand for more flexible multi-skilling team-work and the removal of old demarcation lines and restrictive labour practices.

While recent moves stem mainly from managerial initiatives among companies under global competitive pressure, trade unions have been pressing hard as well.

The Transport and General Workers Union, for example, launched a campaign at Shell demanding "equality of opportunity for all" with what it called the "removal of out-dated divisions between blue- and white-collar workers". Fred Higgs, the TGWU's chemical industry officer, says this was "a pre-emptive move" to persuade the company not to individualise employment contracts and scrap collective bargaining. It showed the union was ready to embrace and not resist greater job flexibility.

The AEEU engineering union is enthusiastic about the greenfield single union deals it has signed since 1988. Its electrical section - once the EETPU - has also pressed hard for an end to workplace status divisions in its recruitment offer-

sive in the electronics sector.

The current batch of company restructuring agreements, however, presents a mixed picture. In some areas there has been substantial progress, but in others there has been much less and in some cases gaps in status may have widened.

Price warns that harmonising may not make much advance outside large- and medium-sized companies in manufacturing. The com-

**Single-status canteens and car parks have become much more common than 10 years ago**

mitment in management time can be expensive and may take years to show any return in performance. Smaller companies often lack the financial resources or the will to introduce harmonisation.

Moreover, the deregulation of the labour market with the growth in contracting out of services is a countervailing trend. New forms of

workplace inequalities threaten to emerge between workers in the core and those working on the margins. The following is a summary of recent trends.

● **Pay.** Many recent agreements have introduced integrated wage systems that unify all employees around a common pay spine from management to office cleaners.

● **Individualised arrangements.** Payment by results, bonuses and merit money are rare across the company spectrum. The govern-

ment's latest commissioned workplace relations survey, for example, found that 31 per cent of secretarial and clerical staff and 46 per cent of middle and senior management were receiving merit pay. But only 10 per cent of unskilled manuals and 22 per cent of skilled manuals were offered such remuneration. But 47 per cent of skilled manuals received some form of incentive pay (mainly payment by results) against only 38 per cent of clerical and secretarial staff and 28 per cent of unskilled manuals.

● **Method of payment.** Unpublished data from the government survey reveals a significant decline

in the number of workers paid in cash each week. In 1990 only 6 per cent of blue-collar workers were paid monthly and a mere 21 per cent by either a cheque, giro or bank transfer. Ten years later 23 per cent of manual workers were paid monthly and 73 per cent did not receive their wages in cash.

● **Hours of work.** More companies are increasing flexibility for manuals and replacing the standard five-day, 37- or 40-hour week, plus overtime with a variety of seven- or six-day shift systems and annualised hours. But manual workers still work longer hours than staff. As many as 59 per cent of white-collar workers work less than 37 hours a week, against 20 per cent of manuals. By contrast the latest Hay survey of employee benefits shows that 44 per cent of manual workers work more than 38 hours a week, against only 3 per cent of non-manuals.

● **Timekeeping.** Traditionally manual workers have had to clock on and off at the workplace. In some recent pay deals time measurement has been dropped or modified. The government's workplace survey found that 80 per cent of private manufacturing establishments insisted their manuals signed on and off at work, the same figure in 1980 as in 1990. Over the period the number of white-collar staff required to do so rose from 8 per cent to 13 per cent.

● **Holidays.** The latest CBI survey in 1992 found little variation between workers in their entitlement. In companies employing between 5,000 and 20,000 workers, 41 per cent of manual dayworkers received 25 days and under, compared with 45 per cent of white-collar staff.

● **Health care.** The Hay survey shows 41 per cent of manual workers in health discount schemes and 22 per cent of manuals in deals where the company pays part or all of the cost of health care. This contrasts with 33 per cent of white-collar workers who are covered in discount plans and 47 per cent where the company pays all or part of the cost.

● **Pensions.** Occupational pension schemes are increasing. But the latest General Household Survey reveals continuing disparities. While 26 per cent of employers and managers have an occupational and personal pension, the same applies to only 3 per cent of unskilled manuals, 19 per cent of skilled manuals and 10 per cent of clerical staff. The Hay survey shows only 9 per cent of manuals are covered by a non-contributory pension scheme, against 15 per cent of staff.

● **Sundry items.** Single-status canteens and car parks are more common. Profit-sharing and share-ownership schemes have also moved outside the ranks of management.

## Quick off the mark if disaster strikes

Lucy Kellaway and Vanessa Houlder look at contingency planning

Recent bomb attacks on both sides of the Atlantic gave an added twist to two events in London last week.

One was a visit on Friday from Charles Malikish, director of New York's World Trade Centre, who went out of his way to praise the local response to the disaster in February.

Malikish said that the Port Authority of New York and New Jersey, the centre's landlord, employed stress counsellors in the lobbies, issued bulletins to tenants about the safety standards in the building, which included certificates of the building's structural integrity, and held daily press conferences in an effort to keep tenants and the public informed.

The need to reassure its 350 commercial tenants was seen as paramount by the Port Authority. "We were very vulnerable to tenants looking for release from their leases," said Malikish. In order to mitigate any economic impact on the tenants the Port Authority organised the temporary relocation of tenants, paid their moving costs, and suspended their rent obligations on the existing offices. The landlord was particularly anxious to satisfy tenants about the safety of their offices. With 40,000 employees evacuated from the building, tenants were concerned about their employees' willingness to return to their offices.

The Port Authority, which organised its response to the bomb on the evening of the attack, has stopped short of setting up a disaster contingency plan.

However, it has designated another site for people to report to in the case of disaster and it has set up an alternative telecommunications system. It is also reviewing its security systems.

The other event in London was a conference organised by the UK's Institute of Directors, which served to remind companies that bomb damage is not the only disaster for which organisations need to plan.

Routine maintenance work by the water board recently

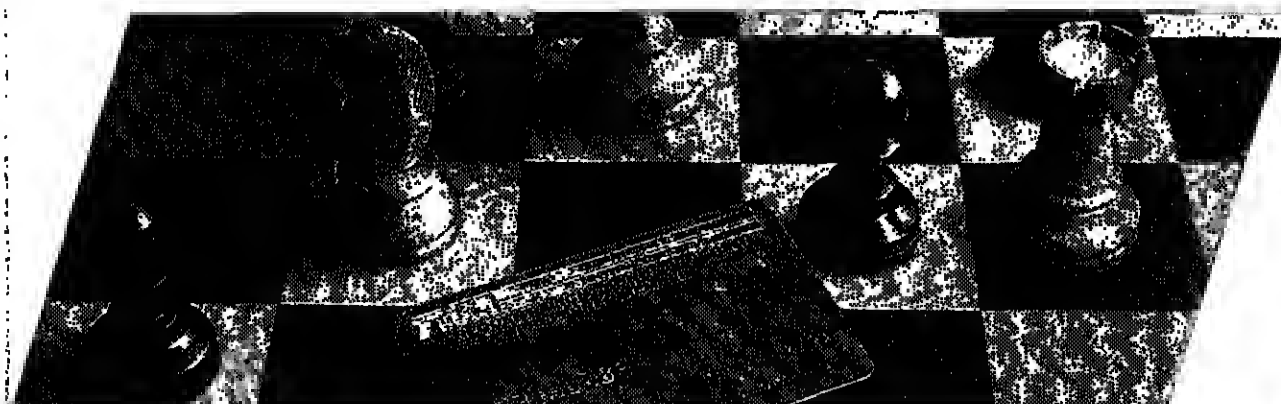
caused a disaster for the Bank of Finland when a burst main flooded its basement and shut down its computer. No sooner had the bank recovered from that disaster than a second one struck: a few days later an unrelated electrical mishap closed the system down again.

The Bank of Finland, along with Commercial Union which was a victim of last year's City bomb, is now a veteran on business recovery. In common with most other financial organisations in the City, the Bank of Finland had a contingency plan already in place which included the transfer of all its computing facilities to a disaster recovery centre. Its experience was a happy one: after each upset, business was kept going with only the briefest interruption.

According to Peter Mobsby, assistant general manager, the bank learnt the following lessons:

- The time and money involved in setting up contingency plans was well spent.
- The recovery time from the second disaster was far quicker than for the first, demonstrating the importance of a full dress rehearsal.
- The bank has moved its computer out of the basement to reduce future risk of flood, and has resolved to mount full electrical tests after any power failure.
- Beds and showers are needed at the disaster recovery site, as staff are likely to work through the night.
- The fastest way of getting documents to the recovery site may also be the cheapest - the tube might be quicker than taxis.
- Lightning may strike twice.

The Worshipful Company of Information Technologists, the Computing Services Association, and Survive, the disaster recovery group, announced last week that they are working to provide an Emergency Help Desk for the City of London. This will be opened in the Guildhall to offer guidance and support to companies with IT problems in the event of a disaster such as the recent Bishopsgate bomb.



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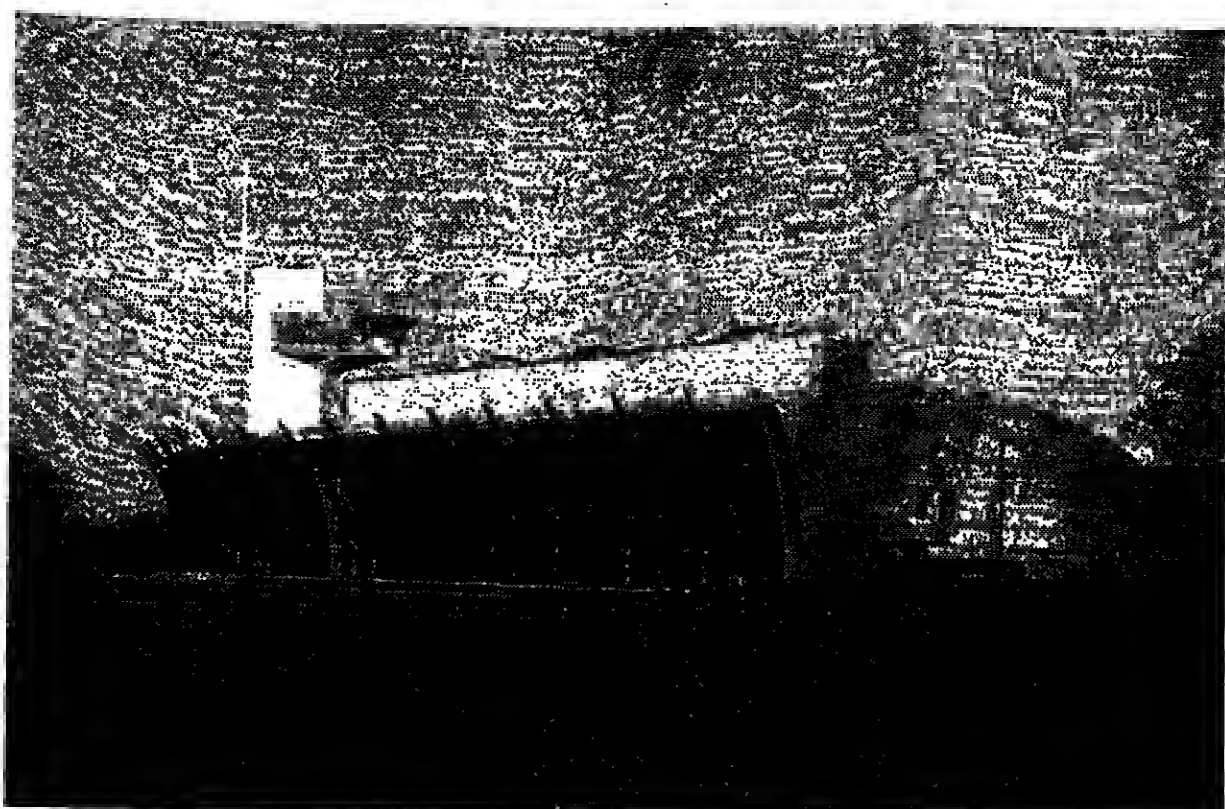
The architects were Nicholas Grimshaw and Partners, a firm which since the early 1980s has gone consistently from strength to strength as a leading and versatile practitioner of British High-Tech architecture.

In London at the Royal Institute of British Architects there is a remarkable exhibition of the recent work of the Grimshaw practice entitled *Structure Space and Skin* (until May 29 at 66 Portland Place, London W1). Architectural exhibitions are difficult things to make appealing to the public, but this one is. Going into the great hall at the top of the stairs is like entering a wonderful high-tech toy shop.

One of the things I have always liked about Grimshaw is his endless, almost child-like enthusiasm for things new. To see him at the Riba surrounded by the moving models and giant mock-ups of elements from his buildings was like meeting Dr Coppelius as he prepared to wind up his dolls.

What is intriguing about British High-Tech architecture is its Britishness. These architects who practice this glorification and exposure of the engineering and building process do not particularly like it being called a "style". Showing the world how a building is constructed, revealing a fascination with the joints, ducts and fixings, is somehow both child-like and unsophisticated while wanting to appear scientific and super technological. I sometimes wonder whether High-Tech architecture is actually any more sophisticated than Elizabethan half-timbering that showed the world the structural elements of a timber frame, pegs and all.

In this exhibition the most recent Grimshaw projects and built work can be examined. Much of the early work of this practice demonstrated the appearance of a technology that functions ever smoothly, content with its own imagery. The later buildings - the Berlin Stock Exchange, the *Western Morning News* - and some of the projects in the accompanying book suggest a search for a visual language that means more than the exposure of building elements. It started at the British Government Pavilion at Seville when the wall of water cascading down the glass facade subsumed the pavilion into a mysterious block of moving liquid that was expressing coolness and a response to the climate of a Spanish summer. But



Dry dock: Nicholas Grimshaw's ship-like building for the Plymouth-based 'Western Morning News'

## A high-tech toyshop

Colin Amery enjoys the work of architect Nicholas Grimshaw through an exhibition of mock-ups and moving models

Why is the *Western Morning News* a ship marooned on dry land? Why is the Berlin Stock Exchange like an upturned boat? Why does the Channel tunnel terminal at Waterloo station show all its joints like a knobby finger?

The *Western Morning News* building I have only seen from the outside, moored on the edge of the city of Plymouth with a boardroom set on a "bridge" exactly as though the whole thing were a liner or a battleship. The walls curve and present a concave surface as they rise up. The newspaper wanted the printing, editorial and office functions to be together in one building so, appropriately, when everyone is all "aboard" there is a sense of belonging to a unified organisation.

In the book published with the exhibition there are elaborate and beautiful drawings and models of all the elements that were specially made for the *Western Morning News*, which is another irony of High-Tech. It often looks as though it is made of simple factory-made parts and the success of

the building depends upon the way these parts are assembled; in fact, the process is a complex, rather old-fashioned craft approach that is strictly bespoke and often expensive.

Perhaps the most exciting and enjoyable model in the exhibition is the display about the Waterloo Channel tunnel link terminal, which should be seen with the video. The architect saw this project (which won in competition with 10 other firms) as "an heroic railway station with the same function as a 21st-century airport". It is a long, thin, curved addition to Waterloo station, with a spectacular roof. The shape is intriguing, a three-centred arch with one centre displaced to the side as a response to five tracks and three platforms. A great deal of the passenger movement will take place beneath the tracks, and so the light and graceful shape of the roof is vital if passengers are to have the "sense of wonderment" that the architect desires. What the model at the Riba reveals is that this "travel" architecture is a response to

the complex plan of movement. The great roof is going to be one of the sights of London - and one that is only revealed once you are inside it.

More spectacular still, but not as yet built, is the airport proposal that was shown at the Venice Biennale last year. It is a solution to the airport design problem that could, by its very simplicity, provide an uplifting architectural experience. The model itself has sculptural qualities that have evolved from the elegant structural proposals.

I recommend this exhibition very warmly and wonder how many visitors will share my critical ambivalence about the architectural success of the High-Tech movement. It is like *Star Wars* - an explosion of ingenuity that can overlook the problem with its own apparent cleverness.

*Structure, Space and Skin: The work of Nicholas Grimshaw and Partners*, edited by Rowan Moore, is published by Phaidon on June 10 at £39.95

Opera in Geneva/Andrew Clark

## Boris Godunov

According to *Kobbe*, which gives a more colourful synopsis than *New Grove*, "the background to the story is one of famine and plague... the people have deserted the ways of law and order... For Russia's misfortunes Boris is blamed - in spite of his efforts to rule wisely and well." Boris Godunov may not be Boris Yeltsin, but any encounter with Musorgsky's episodic music drama today makes you wonder whether Russia has changed at all in the past four centuries.

The new production of Boris Godunov at Geneva's Grand Théâtre suggests that the historical Tsar was a good deal more handsome, if no more politically secure, than the present Kremlin incumbent. Geneva's Boris is Samuel Ramey, singing the role for the first time. With his proud mane of hair and pointed beard, he cuts a noble, patriarchal figure, whether in his rich coronation apparel or the bare-chested, bare-footed historical of the finale. Nothing is overacted - though we are left in no doubt about Boris's physical strength, violent temper and tormented conscience. Ramey may not be the booming, bulbous bass most often associated with the part, but he sings with well-sculpted, muscular refinement. His Boris is commanding, but not yet charismatic.

Geneva opts for the original 1869 version - an austere succession of seven panels which condense music and drama to bare essentials. It makes for a relatively short evening - but the punch seems stronger without the scenic and instrumental cushioning of later versions. Under Edo de Waart, the musical emphasis fell on the dark, introspective quality of Musorgsky's instrumental writing rather than on dramatic excitement - a view justified by the sensitive woodwinds of the Suisse Romande Orchestra and some rapt string playing, particularly in the cavernous double-bass parts.

On stage, as in the pit, the mood was one of stark simplicity. Stein Winke's production, designed by Göran Wassberg, unfolded on a steeply-raked wooden ramp curling up into a huge backdrop, which disgorged guards, boyars and coronation procession from a variety of trap doors. The presence of the Fool in each scene, an innocent observer of endless



Samuel Ramey as Boris

misfortune, provided a further unifying thread. Visual contrast came from Karl Gravel's richly-coloured costumes, and from the variety and concentration of Hans-Ake Sjöqvist's lighting effects, which dissolved the traditional stage boundaries.

The production team was Scandinavian, the cast predominantly Anglo-Saxon. John Tomlinson, who sang Boris for Opera North, proved an equally imposing Pimen, though he sounded stretched

by the upper reaches of the part. Anthony Rolfe Johnson, the Fool in the 1981 Geneva production, has now graduated with honours to Shylock. Kim Begley was the powerful Grigory, Kirian James a credibly adolescent Fyodor. Anne Collins, Henk Smit and Doug Jones made a lively trio in the inn scene.

Performances continue until May 24. Radio 3 will broadcast a recording of the production on August 14

Theatre/Antony Thorncroft

## Redeeming Vices

Saki (the pen name of H.H. Munro) led a retiring, mundane, life before he was shot in the head by a sniper during the Great War. All his venom, wit and quickness went into his short stories, many of which are classics. Michael Browning has travelled through the Saki anthologies, picking a character here, a plot line there, and striking a spark everywhere, to assemble the play that Saki would never have written.

It is set in classic Saki territory, a weekend house party before the War, and populated by Saki regulars, notably Clovis, the clever, cynical, epigrammatic youth whose task is to undermine county gentility. It is much as if P.G. Wodehouse (a gentler contemporary of Saki) had suddenly gone to the devil. Like Wodehouse, Saki's youth was organised by aunts; and *Redeeming Vices* involves totally useless young men contriving, with the help of husband-hungry young girls, to break loose from dominating older female relatives. It is the kind of clever, civilised, resolutely middle-class play that perhaps delighted matinee audiences in the 1920s: it is certainly an antidote to contemporary drama.

The plot is borrowed from *Mansfield Park*. The young things get up to the most innocent of mischief while the Gorgonesque Mrs Thunderford

(Richenda Carey) is supposedly away to pay for their over-indulgence in bubbly and trifle they face dismissal from the house next day - before luncheon. Unfortunately Browning, who enthusiastically takes part as the genial Uncle Links, does not trust Saki's superb restraint. He makes one of the girls, Joy (Claire Weller), a rampaging nympho and Clovis comes way out of the closet. Still, there is mild fun to be gathered from Saki's Oscanesque witticisms; from the bustle of the amorous pursuits, motivated by money rather than love; from Stephanie Turner's assured performance as a merry widow-to-be whose husband is "between Folkestone and Heaven"; and in the marriageable Trevor Thunderford's (Tom Wallers) stuttering diffidence.

Much depends on the pivotal Clovis. Simon Beresford's imperturbable outrageousness seems restrained by the smallness of the venue, but as he grows in mannered confidence, and the rest of the cast finally remember the stage names of their fellow actors, *Redeeming Vices* could go with a swing. It provides an unusually effervescent evening.

Director Philip Grout manages to move a large cast around deftly and speedily.

New End, Hampstead, north London, until June 6, 071 794 0022

Concert/Richard Fairman

## Tennstedt's Mahler

Although Klaus Tennstedt has already recorded one successful cycle of the Mahler symphonies, he is gradually recording another live in the concert hall. There are always some conductors (Bernstein, Barenboim, to name two other Mahlerians) who have found that inspiration shines most brightly upon them when they are standing in front of an audience.

On Friday the regimented rows of microphones lined up through the orchestra at London's Royal Festival Hall suggested that this performance will be the latest in the new series. Tennstedt and the London Philharmonic have now arrived at the Seventh Symphony. The concert (no filler, just the symphony) was to be repeated the next day, which will have been useful for EML, as it opened with a small rash of minor bloomers.

That is the risk of recording live. But, as the evening progressed, the rewards were also there, yielding an ever increasing dividend. Tennstedt is not a conductor who steps on to the podium and demands instant involvement. He works to a long-term strategy, creating an atmosphere that will last the duration of the symphony, working towards intermediate climaxes, keeping his eye on the final goal.

Without wanting to declare one a bet-

ter Mahlerian than the other, it is fascinating to compare Tennstedt with Bernstein. The latter used to infect the aching strings - maddening of the first movement with every hairpin dynamic marking in the score; the music started to sound contorted, as though parading its emotions with exaggerated self-awareness, irony, sarcasm, even a touch of neurosis. Tennstedt lets the music sing simply. It comes from the heart.

In a symphony that is generally regarded as Mahler's least successful, he manages to find a lot of genuine importance to say. The three central movements are well written anyway and this performance kept finding passages that suggested deeper emotions than one had hitherto suspected (the dusky, veiled tone of the strings in the second "Nachtmusik" was particularly affecting). The finale is empty bombast on Mahler's part, but it rose to the occasion here, exciting, exuberant, the London Philharmonic's playing at its most brilliant.

It is too early to say whether this performance will replace Tennstedt's earlier recording as a permanent record of his views on the symphony. Judged simply as a concert, it was by some way the most moving and involving Mahler's Seventh I have heard.

All too fallible memory suggests that Ranki has not played late Beethoven before in London. We have heard him unfailingly style in Mozart and Chopin, direct and uncompromising in Bartók, a most persuasive advocate of his Hungarian contemporaries; but his Wigmore Hall programme on Saturday was devoted to the last three Beethoven piano sonatas, Op. 109, 110 and 111, played in strict chronology.

It promised much; Ranki is such an accomplished and fastidious artist that his approach to these pianistic summits was inevitably going to be considered and fascinatingly detailed. What was delivered, though, came across as unexpectedly approximate, like a snapshot of

work in progress rather than a series of distinct, fully achieved interpretations. General principles could just be discerned in all three works. Ranki appeared to set out to subvert the conventional aspirations of late Beethoven playing, de-emphasising the grandeur (even in Op. 111) and demystifying the most serene moments of lyrical totality.

The snapshot often seemed more like a negative. Ethereal spirituality was brought down to earthy directness, strenuous aspiration transformed into sportive exuberance, yet what might have been bracingly different never cohered completely and too often was disappointing on purely cosmetic grounds. The opening of Op.

109 ought to have suited Ranki's luminous tone and limpid articulation, yet came over as almost shockingly matter-of-fact, with an uncomfortable sprinkling of errors; in Op. 110, vital left-hand detail in the first movement went for nothing, and the central section of the final fugue was prosaic and underpowered. There were things to admire - a finely spun, singing line in some of the Op. 109 variations, clean, athletic counterpoint in the finale of Op. 111, an explosive scherzo in Op. 110 - but they were the exceptions to the rule of inconsistency. Ranki must return to London with the same programme when either his interpretations or his own playing, perhaps both, are focused more firmly.

Recital/Andrew Clements

## Dezsö Ranki

## INTERNATIONAL ARTS GUIDE

### BERLIN

**CONCERTS**  
Pierre Boulez conducts the Berlin Staatskapelle and Radio Chorus at Staatsoper unter den Linden on Fri and Sat, in Mahler's Totenfeier and Schoenberg's Die Jacobseiler (200 4762). John Adams conducts Ensemble Modern in his own music tonight at the Philharmonie, where this week's programme also includes a Mahler concert on Sun with Berlin Radio Symphony Orchestra conducted by Vladimir Ashkenazy (2548 8232). At the Schauspielhaus, Berlin Symphony Orchestra plays Orff's Carmina Burana tonight, and a Schumann and Faust programme on May 22, 23 and 24 (2090 2156). At the Komische Oper, Carlos Kalmar conducts orchestral works by Berlioz and Tchaikovsky on Wed (229 2555).

**OPERA/DANCE**  
Götz Friedrich's new production of Die Meistersinger von Nürnberg, conducted by Rafael Frühbeck de

Burgos, can be seen on Thurs at the Deutsche Oper, with a cast including Wolfgang Brendel, Jan-Hendrik Roederling, Gösta Winbergh and Eva Johansson. Repertory also includes Lohengrin and Götterdämmerung, plus a revival of three John Neumeier ballets. Wagner's Ring follows on May 28, 30, June 2, 6 (241 0249). Jonathan Miller's new production of Capriccio, with Yvonne Kenny as Countess Madeleine, can be seen on Wed at Staatsoper unter den Linden, followed on Thurs by a song recital by Gwyneth Jones and Jochen Kowalski. The Nureyev production of Sleeping Beauty can be seen tomorrow and Sun (200 4762).

**THEATRE**  
The final week of Berlin's annual German-language theatre festival includes a performance tonight at the Deutsches Theater of Thomas Langhoff's acclaimed production of Hofmannsthal's The Tower. A guest production from Bremen of Johann Kresnik's choreographic play Wendepunkt can be seen tomorrow, Wed, Thurs at Freie Volksbühne, while the Heidelberg production of Gombrowicz's Die Burgunderprinzessin runs tomorrow till Thurs at Hebbel Theater. Ticket information from festival office 2548 9254. A new production of Ionesco's The Chairs, directed by Martin Melike, is in repertory at Maxim Gorki Theater (208 2783). The new Marlene Dietrich musical, starring Jutta Hübner, runs daily except Mon at Theater am Kurfürstendamm (300 6000). Porgy and Bess, in a new production and directed by Götz Friedrich, runs

daily except Mon at Theater des Westens (3190 3193).  
● Tickets and information for theatre, revues, concerts and nightclub shows available from City Center Theater und Konzertkasse, Kurfürstendamm 16 (tel 882 8563 fax 882 8567) and Theaterkasse Im Europa-Center (tel 281 7051 fax 281 9286).

### NEW YORK

**THEATRE**  
● Angels in America: the first half of Tony Kushner's epic Pulitzer Prize-winning play about sexual politics, death and decay. Not to be missed (Walter Kerr, 219 West 48th St, 239 6200).  
● Later Life: A.R. Gurney's new play about a man and woman who meet up after a gap of 30 years. In previews (Playwrights Horizons, 416 West 42nd St, 279 4200).  
● She Loves Me: revival of the 1963 musical by Joe Masteroff, Jerry Bock and Sheldon Harnick. In previews (Roundabout, Broadway at 45th St, 869 8400).  
● The Who's Tommy: a stunning stage adaptation of the classic 1969 rock opera, a collaboration between its original principal author, Pete Townshend, and director Des McAnuff (St James, 246 West 44th St, 239 6200).  
● Oleana: David Mamet's short, powerful drama about political correctness and sexual harassment (Orpheum, 126 Second Ave at 8th St, 307 4100).

● The Sisters Rosensweig: Wendy Wasserstein's new play, a comedy with serious undertones, about the reunion in London of three American Jewish sisters (Ethel Barrymore, 243 West 47th St, 239 6200).  
● Forbidden Broadway 1993: a witty parody of the most popular Broadway shows (Theatre East, 211 East 60th St, 838 9090).

**DANCE**  
Metropolitan Opera American Ballet Theatre season runs daily except Sun till June 12. Tonight: tribute to Kenneth MacMillan. Tomorrow, Wed, Thurs: choreographies by Balanchine, de Mills and Tetley. May 21-26: David Blair's production of Swan Lake (362 6000).  
● State Theater New York City Ballet's Balanchine Celebration runs daily except Mon till June 27. This week's repertory includes an evening of 1957-8 premieres on Thurs and 1980 premieres on Sun afternoon, plus an all-Stravinsky matinee on Sat (870 5570).  
● City Center Les Grands Ballets Canadiens are in residence this week with two programmes: The Green Table plus a mixed bill of works by Mark Morris, James Kudakka and others. Daily from tomorrow till Sun (561 1212).

**MUSIC**  
Alice Tully Hall Tonight: Pinchas Zukerman violin recital. Wed: Carol Vaness song recital (721 6500).  
● Avery Fisher Hall Tomorrow: Colin Davis conducts New York Philharmonic Orchestra in concert performance of Der Freischütz, with

Sharon Sweet, Gillian Webster, Thomas Moser and Ekkehard Wächli. Thurs, Fri, Sat, next Tues: Kurt Masur conducts Ives' The Unanswered Question and Beethoven's Ninth Symphony (875 5030).

**JAZZ/CABARET**  
Blue Note This week: Diane Reeves. Next week: Nancy Wilson. Music at 21.00 and 23.30. Dining (131 West 3rd St, near 6th Ave, 475 8592).  
● Russian Tea Room Tonight and next Mon: Julie Budd presents a musical salute to Dorothy Fields. Dining (150 West 57th St, 265 0947).  
● Carlyle Hotel Bobby Short is in residence in Cafe Carlyle for the next couple of months. Across the hall in Smeatmans Bar, Barbara Carroll presides at the piano (Madison Ave at 78th St, 744 1600).  
● Algonquin Hotel Toyah Falcshun is currently at work in the Oak Room. Dining (59 West 44th St, 840 6800).

### PARIS

**DANCE/OPERA**  
Ballet de l'Opéra de Paris presents a programme of four Roland Petit choreographies tonight, tomorrow, Wed, Fri and Sat at Palais Garnier (4742 5371). Amin Jordan conducts Jean-Louis Martinoty's production of Ariane et Naxos at Opéra Comique tomorrow, Thurs and Sat (also May 27, 29), with a cast led by Karen Huffstodt and Peter Svendsen (4288 8883). This week and next, Opéra Bastille has performances of Le nozze di Figaro

with a cast led by Hakan Hagegard, and Andrei Konchalovsky's production of Queen of Spades (4473 1300).

**CONCERTS**  
Tonight at the Châtelet Auditorium, Ton Koopman gives a harpsichord recital (4028 2840). Tonight at Salle Pleyel, Rocco Saccani conducts Orchestre Symphonique Français in works by Beethoven and Prokofiev (4561 0630). Christian Zacharias gives a piano recital on Sun morning at Théâtre des Champs-Élysées. May 24-26: Tchaikovsky cycle with St Petersburg Philharmonic (4720 3637).

**THEATRE**  
● The Taming of the Shrew: Jérôme Savary's Shakespeare production starring Jacques Weber and Christine Boisson. Daily except Sat, Sun and Mon till June 26 (Théâtre national de Châtelet 4727 8115).  
● L'Homme qui: Peter Brook's latest theatre piece, based on neurologist Oliver Sacks' book The man who thought his wife was a hat. Final week (Bouffes du Nord 4607 3450).

**JAZZ/CABARET**  
Blues singer and slide-guitar artist Bill Wharton is in residence for the next two weeks at Lionel Hampton Jazz Club. Music from 22.30 (Hotel Marignan Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4088 9042).  
● A 24-hour recorded telephone guide to Paris entertainments is available in English by dialling 4720 8898.

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Sunday Super Channel: Super Channel: Financial Times Reports 1900  
Sky News: West of Moscow 0230; 0530  
Sky News: Financial Times Reports 1330; 2030  
**Arts Guide**  
Monday: Berlin, New York and Paris.  
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.  
Wednesday: France, Germany, Scandinavia.  
Thursday: Italy, Spain, Athens, London, Prague.  
Friday: Exhibitions Guide.



Samuel Brittan

# Home loans and Euro-money



Euro-sceptics who hoped that the third Spanish devaluation in less than a year would halt the move towards European Monetary Union are likely to be disappointed. But it does make it even more probable that EMU will start with a small group of countries based on France, Germany and its neighbours, which have minimised realignment within the exchange rate mechanism. A more significant event will be tomorrow's Danish referendum, which will determine whether the Maastricht treaty can still be used as the basis for such a union.

In a series of gatherings in Europe I have denied that a single currency - and still less "fixed exchange rates" - require a single political authority. For this is what the Euro-sceptics fear most and the Euro-enthusiasts privately hope to achieve.

The more difficult supplementary question is: "How much co-operation or assimilation of economic structures do fixed monetary arrangements require?" My tentative answer has been: "About as much as the G7 group of leading industrial countries have aspired to on a worldwide basis, but have rarely succeeded in achieving." This answer gives the right flavour, but it is short on detail. The two conditions that the British government has most frequently given for rejoining the ERM are cyclical convergence with Germany - by which it seems to mean that similar short-term interest rates should be appropriate in the two countries - and an end to the recession in the UK. Because of the unexpectedly severe German downturn and a more vigorous than expected UK recovery both these conditions may now be fulfilled within months rather than years - too early to avoid a huge Tory split, if rejoining the ERM were to be mooted.

Meanwhile, the question frequently put to me by German and French officials is: why do

the British concentrate so much on short-term interest rates and not on long-term ones, where German levels have been quite moderate?

The answer surely lies in a structural difference. A far larger share of British borrowing is on a short-term basis than is the case on the continent. This applies to both business borrowing and loans for home ownership. But it is the latter which has proved the biggest political land-mine. A tightening of monetary policy to reduce inflationary pressure has a catastrophic effect on UK mortgage rates. The effect is especially severe on recent homebuyers. A comparable increase in interest rates in Germany and France is certainly not pleasant, but it does not have the same effect on the home loan market where borrowing is mostly on a medium or long-term basis.

A development has however occurred in the British housing market which may change all this: the growing vogue for fixed rate mortgages. These have become popular with borrowers after the shock of recent high rates. Fixed rate mortgages have now become possible in the UK because of the rapid growth of the sterling swap market, which has enabled building societies - which themselves borrow short - to reduce their exposure to interest rate fluctuations.

An estimate of what might have happened had fixed mort-

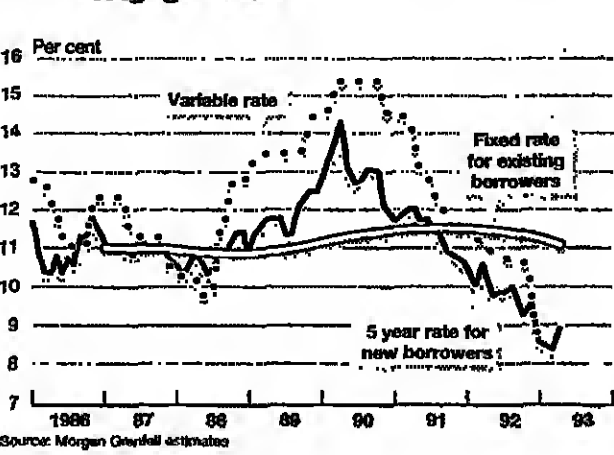
gage rates been available in the past few years has been made by Morgan Grenfell and is shown in the chart. The thick line shows what might have happened if all existing borrowers had five-year fixed rates. The dotted line is drawn on the more realistic assumption that only new borrowers had been on such a basis.

The results are as expected, but still pretty dramatic. The long period of extremely high mortgage rates, which both intensified the UK recession and undermined ERM membership, would not have taken place. Of course mortgage rates would not have fallen so much in recent months. But they would not have had to, if the slump had been less bad.

With more stable mortgage rates, UK governments would not have been able to impose quite such sharp interest rate squeezes on homebuyers. But with diminished volatility in both directions credit booms would have been diminished too and the need for shock treatment correspondingly smaller.

The peculiarities of the British mortgage market may seem a long way from European monetary politics. But the encouragement of the change towards fixed-rate borrowing may make a more important contribution to eventual British membership of a European monetary area than more obvious moves in the field of financial diplomacy.

UK mortgage rates



Source: Morgan Grenfell estimates

Until yesterday, when he was elected president of the Turkish republic, Süleyman Demirel was head of a coalition government formed by his own True Path party (DYP) and the Social Democratic People's Party (SHP), led by deputy prime minister Erdoğdu İsmail. The immediate questions now facing Turkey are whether that coalition will continue, and who will replace Mr Demirel as prime minister.

But behind those questions lie others of much greater importance, not only for Turkey but for Europe, the western alliance, the Middle East and much of the former Soviet Union. The mere enumeration of those regions shows how the end of the cold war, far from robbing Turkey of its strategic importance as once seemed likely, has promoted it to the very eye of the storm. Some American strategists even argue that Turkey has replaced Germany as the US's most important ally. That is an exaggeration, no doubt, but Turkey has replaced Germany as NATO's most exposed member. It finds itself surrounded by, and involved in, three zones of conflict - the Balkans, the Caucasus and Iraq - while a fourth neighbour, Iran, is seen as threatening both by the Turkish elite and by Turkey's NATO allies.

The kind of role Turkey can play in these multiple crises will depend mainly on how over the next year or two, it handles its domestic problems.

For it is not only the external environment that has changed. In what will probably be known as the Ocal years (after President Turgut Özal who died last month), the country has experienced significant internal change as well. Its economy has been largely deregulated and opened up to foreign investment. The growth rate last year was the highest in the Organisation for Economic Co-operation and Development (5.9 per cent), but inflation is running at about 60 per cent and population, now nearly 60m, is growing at some 2 per cent a year.

The birth rate is falling, though, and projections of 120m Turks by the year 2025 are certainly too high. But even more spectacular, and socially more destabilising, is the process of urbanisation. In just five years, between 1985 and 1990, the proportion of people living in cities jumped from 53 to 59 per cent. It could well be 80 per cent by 2000. The flow of both capital and population

# In the eye of a gathering storm

Edward Mortimer on the political and economic challenges facing the new Turkish president

has been from east to west, accentuating the sharp gap in income and living standards between different parts of the country.

To see that as an ethnic division is too simple. The mainly Turkish north-east is as poor as the Kurdish south-east, and Kurds as much as Turks have joined in the westward migration. But the insurgency in the south-eastern part of the country since 1984 has forced the issue of Kurdish identity on to the Turkish political agenda, after six decades of denial and repression.

This has happened while Turks in the rest of the country have been feeling their way back to democracy after the military coup of 1980 (the third in 20 years). Constitutional provisions banning politically-affiliated trade unions and political parties based on class or religious ideologies have been gradually lifted, and efforts have been made to improve respect for human rights.

But the Demirel government's bill on judicial practices, passed last year and intended to give defendants the same rights as in other western countries, has yet to be extended to terrorist cases. Reports of human rights violations continue to flow in from south-eastern Turkey, where a state of emergency allows the security services a free hand in the struggle against terrorism.

Economic freedom, Kurdish identity, political pluralism: all these mark steps away from the legacy of the republic's founder Mustafa Kemal Atatürk, at least as traditionally understood and jealously defended by the Turkish armed forces. But the centrepiece of that legacy for most Turks is secularism, and that too is seen by some as being under threat. Leading secular journalists and academics have been the victims of assassination squads, allegedly trained in Iran, while the legal but overtly Islamic Welfare party (RP) did well in local elections last year, and appears to be increasing its influence.



Turkey's present leaders, and most diplomatic observers, remain convinced the RP can not win more than about 15 per cent of the national vote. Several years of westernisation could not be easily reversed.

**It is surrounded by three zones of conflict - the Balkans, the Caucasus and Iraq**

and Turkey is used to thinking of itself as a European country. Its secular middle class is larger, more self-confident and more unashamedly western in outlook than the corresponding group in most other Moslem countries. Only if real

disaster strikes could this class lose its hegemonic role in the country and anything like an Islamic counter-revolution take place.

But disaster cannot be ruled out, because the political class faces more immediate challenges than an ill-defined "Islamic threat". The crucial question in the next two or three years will be the management of the economy. Although Turkey's recent history is an economic success story, and the income of most social groups has kept pace with inflation, few suppose this happy state of affairs can be maintained unless the government regains control over the public sector horrowing requirement, currently running at about 13 per cent of gross national product a year.

It is hard to see how it can do so without closing uneconomic state companies and causing a sharp increase in unemployment, in a country which still lacks a social safety net.

Customs union with the European Community, promised by the end of 1995, offers real hope to many small businesses in Turkey, especially if the Community lives up to its promises on textile imports. But other sectors, such as cars, are ill-prepared for foreign competition; and the phasing out of the "mass housing fund", currently levied on imports, will deprive the government of an important source of revenue.

Even more urgent is the situation in the south-east, where the ceasefire declared by the separatist Kurdistan Workers' party in March offers a chance to end the civil war, but only if bold decisions are taken quickly. If the ceasefire holds, the state of emergency will probably soon be lifted, but that will be very risky unless measures are also taken to canalise Kurdish political aspirations into non-violent channels. Allowing the use of the language in schools and courts, and allowing political parties based explicitly on Kurdish identity, are the most widely canvassed ways of doing this.

Will Turkey have a government capable of taking such bold decisions? It is far from certain. Mr Demirel himself, by nature a cautious man, will probably favour a colourless successor as prime minister - for instance the present interior minister, Mr İsmet Sevinç - rather than someone as radical and novel as Mrs Fatsma Ciller, the economy minister.

Nor does the party structure of Turkish politics, reflecting the legacy of the 1980 revolution, make for clear and decisive government. The present coalition partners, DYP and SHP, were brought together by hostility to President Özal rather than by any ideological affinity.

A two-party system, uniting DYP with Özal's Motherland party as the main conservative force, and SHP with Mr Deniz Baykal's Republican People's party on the left, would make a lot more sense following the death of Özal and now that a new generation is coming to the fore. But such a political shake-up, threatening to the personal positions of most established leaders, would take one or two years at least to come about. Those are not years that Turkey can afford to waste.

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

### Restrictions on parallel imports

From Mr Peter Stoddart.

The unsophisticated government policy of "beggar-my-neighbour" which masquerades as a naval shipbuilding procurement policy, is mincing-up the last remnants of a UK strategic industry.

The price discrepancy between the Swan Hunter bid and the VSEL/Kvaerner Govan bid ("2200 jobs threatened at Swan Hunter", May 13) cannot be explained rationally by the competitive process. If we accept that Swan Hunter is one of the most experienced surface warship builders, and that its management team was not bent on committing suicide, then its bid must have been close to the proper price level for the vessel.

We should also accept that Swan Hunter would be close to the bottom of the cost and the experience curve for that type of vessel. On the other hand, the competitive positioning of the successful bidders must be at the opposite end of that cost and experience curve, they having had no experience of building surface warships since the Falklands war.

Any arguments about relevant skills and expertise in other naval or complex ship products affording advantages in relation to other types of vessels do not, pun not intended, hold water. VSEL and Kvaerner need only look across the Irish Sea, to Belfast, to see the last demonstration of such inept thinking. The Public Accounts Committee had a great deal to say about the performance of Harland & Wolff in building a naval vessel which was beyond its product range experience.

If the government believes in this competitive process then it will expect to receive the vessel, in accordance with the

### Time and cost overrun on naval contract inevitable

From Mr Peter Stoddart.

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If the government believes in this competitive process then it will expect to receive the vessel, in accordance with the

quality specified, on time and to the price quoted.

I forecast that it will be disappointed on the latter aspects and that the vessel will be a year late and will cost some £100m more than the bid. The reason is simple, this vessel is unlikely to be built in the time-scale and to the cost quoted by yards which lack the experience and know-how to meet the level of performance necessary to match their tender.

I recommend that the PAC make an early start on a report, before ministers and civil servants lose the files, or move the contract goalposts. The loudest voices clamouring for an inquiry into this affair should be the successful bidders' shareholders, for it is they who must meet the cost overrun that will result.

Peter Stoddart,  
1 Thornfield Grove,  
Sunderland SR2 7UZ

### Ukraine's nuclear weapons stance correct

From Dr Bohdan Hawrylyshyn.

Sir, Your editorial "Nuclear rift over Ukraine" (May 5) is excellent. It is the first serious attempt to look at the issue of nuclear disarmament from the Ukrainian side as well. Any newly-independent country is bound to be somewhat sensitive about its independence. This applies particularly to Ukraine, which has waited for independence for more than 300 years and is now being told, rather unceremoniously, "you hand over your nuclear weapons to the neighbouring country which has deprived you of your independence for a few centuries".

Ukraine did move its tactical nuclear weapons to the Russian Federation last year, the

first such gesture that any country has made. Nobody seemed to say thank you. Now it is simply being beaten into handing over its strategic nuclear weapons. The reservations about this and signing the Start agreements and nuclear non-proliferation treaties should be understandable.

First, the cost of moving these nuclear weapons, as you state yourself, is enormous and beyond the current financial capacity of Ukraine.

Second, handing them over to a country which is politically fragile, which has had an imperialist past, and where many of the present leaders keep threatening Ukraine does not look overly appealing.

Third, there seems to be no

provision for allowing Ukraine a share of the proceeds from the sale of the materials.

Finally, none of the nuclear powers seems to be willing to give a strong enough guarantee to Ukraine about the inviolability of its borders once the nuclear weapons are removed.

Crude political pressure from abroad will merely increase the rank of those in Ukraine who advocate its holding on to nuclear weapons, at least for a while. This would be a pity, both for Ukraine and the rest of the world.

Bohdan Hawrylyshyn,  
chairman,  
council of advisers to the parliament of Ukraine,  
CP 5,  
CH-1231 Geneva, Switzerland

### The debilitating effect of late payments

From R G Hornby.

Sir, Your article on late payment ("UK's late-payment culture attacked", May 10) brings a welcome focus to an aspect of business even more debilitating to enterprise than government policy.

It seems that late payment reflects so many aspects of our society where transgressors

are rewarded for their action, or inaction.

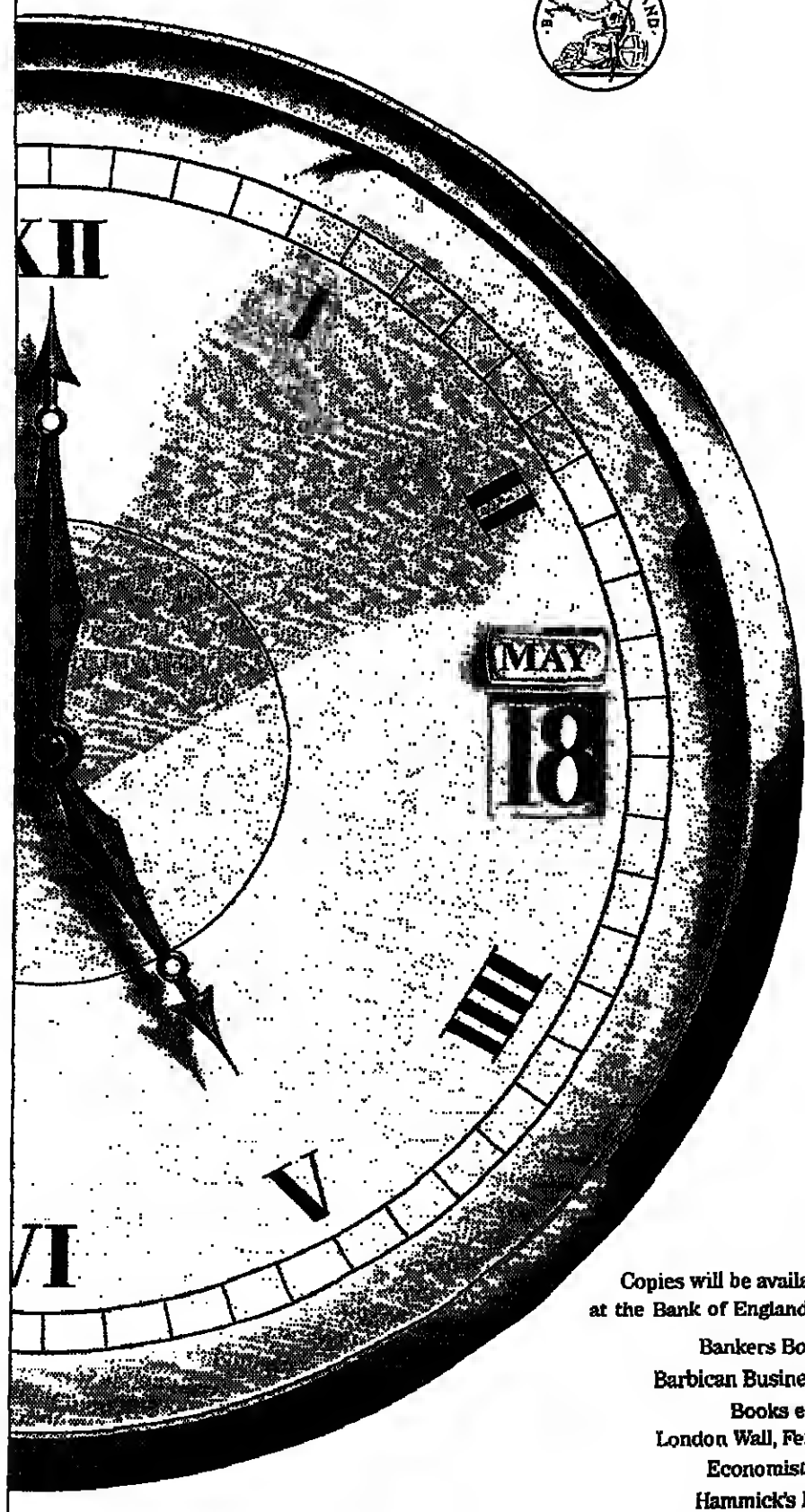
If only the government would act, or enable organisations such as the chamber of commerce to act, to ensure that all businesses behave in an honourable way towards their suppliers.

One would hope that this would also reduce the flow of

mindless reminders, requests and demands for payment which the issuer knows is no more than feeble wolf-crying.

R G Hornby,  
managing director,  
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CV34 6TT

INFORMATION FROM THE BANK OF ENGLAND



**At 5.00 pm  
on 18 May  
the  
Bank of England  
publishes  
the latest  
Inflation Report.**

Copies will be available from that time, price \$4.00 each, at the Bank of England and the following City bookshops:

Bankers Books (St. Swithins Lane)  
Barbican Business Book Centre (Moortfields)  
Books etc. (Broadgate Circle,  
London Wall, Fenchurch Street, Fleet Street)  
Economist Bookshop (Moorgate)  
Hammicks Bookshop (Fleet Street)  
Waterstone's Booksellers (Whittington Avenue,  
Leadenhall Market)

and from 19 May at branches of good bookshops throughout the country.



# FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL  
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Monday May 17 1993

## Yes please, Denmark

IT IS IN the interest of Denmark, of Britain, and of the European Community as a whole, that Denmark should vote Yes tomorrow in the country's second referendum on the Maastricht treaty.

Those who desire the opposite outcome hope that a second Danish No might kill the treaty. In a narrow legal sense, that may be so, but all that can be said with certainty is that even after a No vote, the EC's future would have to be negotiated. It is unlikely that other member states, especially the original Six, would acquiesce in a Danish veto. Rather, some or all of them would seek to bypass the obstacle by replacing the Maastricht treaty with a new arrangement. The legal difficulties might be considerable, but one way or another a No vote would mark a parting of the ways between Denmark and the core countries. It would be a step backwards in a world which cannot avoid the struggle to construct effective international political institutions.

A Danish Yes vote is firmly in Britain's interest, because it would increase the pressure to get the Maastricht treaty through parliament. There have been hints that should the Danes say No, ratification might be abandoned on the grounds that the treaty would then be "dead". This would be a serious error. If Mr John Major were to abandon Maastricht, his influence on a successor to the treaty would be severely weakened. It cannot be excluded that Britain, too, might manoeuvre itself into an outer circle of the EC.

None of this is to make exaggerated claims for the treaty. As soon as it is ratified, the EC must face the task of making the new union larger, more accountable, more transparent and more efficient. It will also, as Mr Jacques Delors has recently recognised, have to turn again to the dangers of Eurosclerosis in an ever more competitive global economy.

Maastricht's most detailed element, the programme for Economic and Monetary Union, has been shaken by upheavals in the currency markets. It is likely that it will either be revised or confined to an inner core of countries. The treaty's second most important objective, a common foreign and security policy, has been shown by the Yugoslav crisis to be more urgent but more difficult than previously appeared.

Yet nothing has happened in the months spent ratifying Maastricht to alter the fact that Europe must have a dynamic, outward-looking economy and a self-confident polity capable of influence beyond its borders, especially to the east. As recession grips Europe's heart and its political leaders stumble, it is tempting to blame the EC and Maastricht for all that is wrong. But the Community's ability to evolve through negotiation between democratically elected governments remains its most creative characteristic. That process will be most effective with Maastricht unanimously ratified.

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A summer of sporadic discontent threatens Britain's public services after firefighters voted last week to organise strike ballots in defence of jobs and pay, and the teachers' unions united in opposition to the government's national curriculum tests.

But they are not the only groups among the 5.8m public-sector workers whose mood has gone from submissive to combative in the past few weeks.

Several civil service unions appear to be edging towards a one-day stoppage in protest at the government's plans for commercial market testing, under which their members must compete for their jobs with private-sector workers.

On May 26, ambulance workers and nurses are expected to join firefighters in a demonstration in London against what they see as a deterioration in the quality of public services because of government imposed financial constraints.

Local council unions are considering taking industrial action after refusing last week to accept a final 1.5 per cent wage rise for their 500,000 members in line with the government's 12-month public sector pay limit policy introduced last November.

Yet only a few weeks ago union leaders doubted whether a mounting sense of disquiet in the public sector would lead to industrial trouble. While saying publicly that the government's 1.5 per cent public sector pay limit was inadequate, they were in no mood to launch an offensive.

It is not difficult to understand why. Last year Britain experienced the lowest number of working days lost through strikes since records began 100 years ago. The prolonged recession has meant public sector workers were more concerned about security than about fighting for higher wages or better conditions and did not want to put their jobs at risk by going on strike.

The feeling was that the government's 1.5 per cent public sector wage limit meant a strong trade-off between pay and jobs, says Professor Philip Beaumont, an expert on the public sector at Glasgow University. "Ministers were saying to public sector workers, 'you can have more than 1.5 per cent but at a direct cost in fewer jobs'.

It was that fear to their jobs security that suggested most public sector workers would keep their heads down." However, recent political setbacks – notably the Tory disasters in the Newbury by-election and the county council elections in England and Wales two weeks ago – have weakened the government.

Some public sector union leaders now believe that if they adopt a more confrontational strategy, ministers will back away from rigidly imposing the 1.5 per cent pay limit or slow down plans to contract out public services to the private sector.

Several public sector union leaders have been surprised by the depths of hostility now on display among some of their members, particularly to government policies on privatisation and market testing. Unions which feel most aggrieved include the Civil and Public Services Association, which covers clerical staff, and the Inland Revenue Staff Federation.

But while some unions are restive, they have little industrial muscle with which to force the government to back down. Other public sector unions are in a much stronger position to exert pressure because they have the ability to disrupt basic services. Because of this distinction, Mr Chris Trinder, research director of the independent Public Finance Foundation, points out, a "two-tier pay system" has evolved in the public sector. Weaker groups, such as local government manual workers have been unable to secure the kinds of special pay deals covering members of some more powerful unions.

For instance, some public sector groups enjoy guaranteed pay formulas linked to the private sector, such as firefighters and the police. Doctors, dentists and the armed services enjoy the benefit of pay review bodies which recommend salary increases based on comparable private sector wages.

Under the 1.5 per cent public pay limit such arrangements have been suspended for at least 12 months from last November. But the government is going to find it hard to hold the line in the next wage round if it tries to reform them or scrap them altogether.

The angry mood among delegates at last week's Fire Brigades Union conference suggests that some among the top tier of the public sector are preparing for conflict. The unanimous decision of the conference to authorise strike ballots in defence of a 14-year-old wage formula that links firefighters' pay to the increases enjoyed by the top 25 per cent of male manual workers and against any proposal for compulsory redundancies reflects a disillusioned and determined mood.

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## Mood swing in the public sector

Robert Taylor examines the pressures behind increased union militancy and the prospects for industrial action

Imposing the 1.5 per cent pay limit or slow down plans to contract out public services to the private sector.

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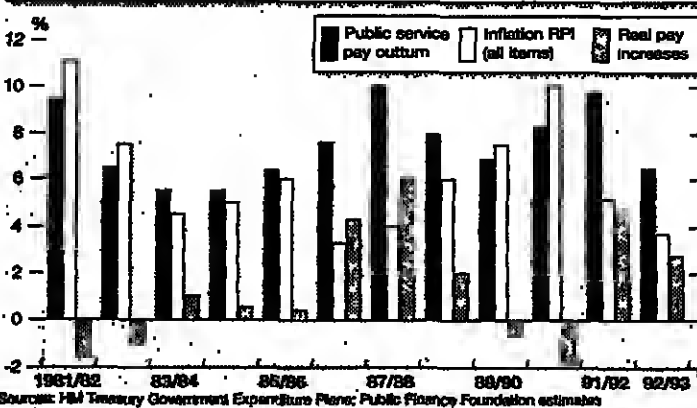
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### The pressures on pay

Public sector	1988/89	89/90	90/91	91/92	92/93	Total 1988/89 to 92/93
LOCAL GOVERNMENT	6.20	7.80	8.80	7.75	4.80	41.15
CIVIL SERVICE	6.25	6.60	9.15	7.50	4.50	38.80
POLICE	8.20	9.00	9.50	9.00	7.30	51.00
ARMED FORCES	6.40	6.80	7.70	15.30	5.80	46.15
HEALTH	7.95	7.15	8.20	8.75	8.50	45.22
TEACHERS	10.10	6.00	7.50	9.80	8.80	48.47
TOTAL (weighted average)	8.00	8.90	8.30	9.75	8.50	44.90
INFLATION (all items RPI)	6.00	7.50	10.00	5.10	3.75	36.70
PUBLIC SECTOR PAY	9.10	8.50	9.60	7.25	5.50	45.10



Another of the privileged public service groups that could pose problems for the government is the police. Like the firefighters, they have benefited from a remarkably generous pay formula over the past 15 years. The inquiry by Sir Patrick Sheehy, chairman of BAT Industries, into police pay is due to report next month and this could well prove ending the formula.

The Police Federation, the police union, which starts its annual conference today, is not likely to give up the pay formula without a fight even if it is prepared to accept a 1.5 per cent pay rise this year. With the battle against crime one of the government's priorities, ministers may want to avoid any conflict over pay with the police, and may thus be inclined to back down from abolishing the formula.

Such expensive pay deals are just one aspect of public sector industrial relations that ministers would like to see changed in a radical reform of pay structure. They would also like to scrap centralised collective agreements which provide uniform pay levels across the public sector in favour of linking pay rises more directly to productivity improvements.

Over the past eight years, the Tories have not tried to impose such reforms on the public service sector and have adopted a pragmatic approach that has bought industrial peace at a price. Ministers have been keen to work with the unions as long as the cost of financing public sector pay was not having a serious effect on spending. But now, the government's current borrowing requirement of £50bn has forced it to try to maintain a tighter control on public sector pay.

During this summer's public spending negotiations, which culminate in November's unified Budget, the government will have to decide whether to extend this year's formal pay norm into 1994/95. Mr Norman Lamont, the chancellor, insists it will not be extended. Last year he resisted pressure from colleagues for a two-year norm and in recent weeks has told them he is unwilling to re-open the debate.

Instead he wants a series of informal pay ceilings, low but varying from department to department, to be enshrined in each of the Whitehall budgets agreed in the spending round. The implication is that nurses, for example, might negotiate a better pay deal than local authority manual workers.

Many of Mr Lamont's colleagues are unconvinced that an informal system will work. If the chancellor is moved in a cabinet reshuffle some of the senior ministers in charge of the big spending departments will push for this year's publicly-stated norm to be carried forward.

The spending ministers argue that this pay squeeze has only held this year because the 1.5 per cent ceiling has provided for "equality of misery", in turn providing an argument that it is basically fair. Their concern is that the return of less constrained bargaining will bring with it the traditional "leap-frogging" by different groups of public sector workers.

During the next few weeks the government will have to decide whether to impose a second 12-month overall public sector pay limit, even if this looks likely to provoke damaging conflict with its employees. The short-term need to rein in spending may prove compelling and unrest could grow more serious. The main casualty could be the introduction of plans to reform the entire public sector pay bargaining system.

Not for the first time in recent years, the government may have to contain its long-term plans to align public sector pay on more market-oriented lines. Instead, it is likely to seek a credible response to growing signs of discontent among the public sector unions. Failure to resolve the problem this year will only build up a head of steam for greater industrial conflict next summer.

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## The brave way to banish inflation

Prices in Russia are currently rising at an annual rate of more than 1,000 per cent. Such hyperinflation is clearly destroying the monetary system, which has just begun to operate on market principles. Indeed, it also dashes the hopes of reaping all the other benefits of the market economy. No one is willing to invest, domestic trade has degenerated to mere barter, and the country finds itself unable to exploit the advantages of international specialisation. Time horizons have shrunk to days if not hours.

All are agreed that the hyperinflation must be stopped – but "at all costs", in the words of Michel Camdessus, the managing director of the International Monetary Fund. Is there only one way to bring inflation under control, and must it be pursued even if it runs counter to the goal of establishing a functioning market economy?

Money must be scarce, say the economics textbooks; the IMF's recommendation is for a "strong, restrictive, market-oriented monetary policy". But what does the scarcity of money mean, when the aim is not to finance the creation of an effective, western-style market economy, but rather to curb a hyperinflation which has become entrenched in both the actions and expectations of the entire population. Two hundred years of monetary macroeconomics have taught us that the success of restrictive monetary policies, and the price which must be paid for that success, depend on the flexibility of goods prices. This flexibility is, in turn, heavily contingent on wage flexibility: if wages react quickly to a rise in unemployment, the price which must be paid for a restrictive monetary policy is low, and vice versa.

The reality of western market economies is that prices are highly inflexible. Contemporary experience shows that even in the country which has been shown to have the most flexible wages in the world, West Germany, it has taken three years to push the inflation rate down from 4 per cent to 2 per cent; and even this is at the cost of a deep recession and a sharp rise in unemployment. How long will it take to free Russia from inflation in excess of 1,000 per cent, and what will be the cost? During the entire transition period the scarcity of money will prevent the market economy from performing its most important function – to induce investment and entrepreneurial activity. Even

the exception to the rule of a relatively expansionary monetary policy coupled with moderate wage growth. Even in the west, a scarce-money policy can never be the leitmotif of economic policy in the longer term, without threatening the market economy itself. Those western countries which have enjoyed greatest success have been able to maintain expansionary monetary policies and low interest rates over long periods because trade unions have refrained from making income distribution a matter for day-to-day bargaining.

In Russia, restrictive monetary policies would merely serve to complete the destruction begun by runaway inflation. There is only one way to banish hyperinflation without doing irreversible damage: Russia must gather its political strength in order to break inflationary expectations at a stroke. This will require a reform of the currency. Of course, it is clear that currency reform itself – the mere exchange of bank notes – will not solve the underlying problems. Currency reform can, however, be the cornerstone of a

successful approach where it is embedded in a far-reaching reform of economic policy, one which effectively stabilises prices and wages, preventing new inflationary expectations arising.

This, of course, is conditional on at least a minimal social consensus – and on scarce money. But it is not until price stability can be entrusted more to social consensus than to the scarcity of money that Russia will fulfil a necessary condition for the creation of a successful market economy. Even if this path is taken, the chances of success appear far from rosy. Restrictive monetary policies, however, in an attempt to impose social discipline through rising unemployment and to break inflationary expectations step by step, offer no hope whatsoever given the conditions prevailing in Russia.

Heiner Flassbeck

The author is chief economist, Deutsches Institut für Wirtschaftsforschung

## Saving the whale

THE International Whaling Commission was right not to lift its moratorium on commercial whaling at its 45th annual meeting in Kyoto last week. But the way in which it came to that verdict did itself – and the whales – few favours.

The IWC was set up after the second world war to protect whale numbers, which were plummeting after decades of slaughter. There were 250,000 huge blue whales early this century but only several hundred by the 1970s. The number of humpbacks, right whales and sei whales has also fallen sharply.

But the IWC also recognised a responsibility to the whaling nations and in the 1980s set itself the task of working out how many minke whales – the smallest and most plentiful kind – could be caught without endangering the species.

It has, however, increasingly departed from that second responsibility as more anti-whaling nations have joined. At Kyoto, environmentalists stalled scientific debate on how to calculate sustainable quotas; the UK switched its main objections to commercial whaling from concern about sustainability to the cruelty of the killing, and the US said for the first time that it was opposed to any whaling at all.

The debate thus gave support to the claims of Japan, Norway and Iceland, the three main whaling nations, that IWC concern about sustainability has been replaced by the romantic "green" desire to save every single whale.

The result of the anti-whalers' filibustering is a short term victory, but it may prove counterproductive for protecting whales.

In protest, Norway has said that it will restart commercial whaling and is expected to announce quotas this week of up to 800 minke whales. Japan has separately hinted that it may leave the IWC.

Despite their frustration, both countries have acted prematurely. IWC scientists still have legitimate misgivings about how many whales can "sustainably" be caught. They now believe, after years of research, that they have reliable estimates of minke whale numbers: about 87,000 in the Barents sea north of Norway, and around 760,000 in the southern oceans. But many feel the IWC still needs more research on breeding rates and the different geographical distributions of males, females and young whales before setting quotas.

There is good reason too for non-whaling IWC members to mistrust the ability or willingness of whaling countries to observe quotas once commercial whaling starts again. Much of the collapse in the numbers of the great whales occurred after the IWC's creation, and IWC members have not yet agreed an adequate system of policing.

The IWC is currently the only forum for setting these issues. If it is to regain credibility and save whales, its non-whaling members need to address openly the question of its role and accept the principle of sustainable whaling.

## Hope is not lost in NY

What's the betting that the Federal Reserve Bank of New York will appoint a woman to replace its outgoing chairman, Gerald Corrigan, who departs in August?

In normal times, the front runners would all be men, people like William McDonough, Corrigan's number two, David Mullins, the respected vice-chairman of the Federal Reserve Board in Washington DC, or regional Fed presidents like Richard Syron of Boston and Gary Stern of Minneapolis.

These are not normal times, however, and the rumour mill suggests that the New York Fed may choose to shake things up a bit by picking Karen Horn, 49, the former president of the Cleveland Fed and current chairman of Bank One in Cleveland. Horn, who sits on the boards of BP, Eli Lilly and TRW, has experience of both public and commercial banking. She also won plaudits for resolving the Ohio savings and loan crisis when at the Cleveland Fed.

She faces tough competition in McDonough and Mullins. The former was once vice-chairman of First Chicago, has advised the World Bank, and in his present position is responsible for the Fed's activities in the bond market and its implementation of monetary policy. As for Mullins, he is believed

to be closest to Federal Reserve Board chairman Alan Greenspan, which should count for something. He is also a native of Arkansas, President Clinton's home state – which may, or may not, help.

However, Hope has a couple of things going for her. Consuela Washington's failure to get the chairmanship of the Securities and Exchange Commission means that the Clinton administration is under even greater pressure to give a top job in the financial sector to a woman. It's also worth noting that the New York Fed's search committee is, for the first time ever, headed by a woman – Bernard College president Ellen Futter.

Fresh wallpaper

It helps if aspiring Tory grandees can win at the ballot box, but it is not a prerequisite. Take Sir Michael Hirst, a 47-year-old accountant, who is taking over from Lord Sanderson of Bowden as chairman of the Scottish Conservative party.

Hirst was elected in 1983 as MP for Strathkelvin and Bearsden on the prosperous outskirts of Glasgow. But a ministerial career was denied him when he lost his seat in the 1987 massacre of the Scottish Tories. However, he was rewarded with the vice chairmanship of the Scottish party, and in 1989 he was elected president of the Scottish Conservative and Unionist Association, one of the two wings of the party in Scotland.

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## OBSERVER



Last year he failed to get back into Parliament but did manage to pick up his knighthood.

Hirst, a former partner in Glasgow with KPMG Peat Marwick, has a soothing manner on television. But he doesn't have the same sort of business clout as Lord Sanderson, a shrewd political organiser who is given much of the credit for the Tories' recent revival in Scotland.

### Clingman's coup

Even in the fast-moving world of the international trader, Alan Clingman, 33, has come a long way

in a short time. Having started looking oil in his native South Africa, Clingman did not move to New York until 1987, and it was not until a year later that he and his partner, Alexander Krasner, reversed their operations into AIOC.

Over the last year Clingman's name has been associated with ventures ranging from financing a South African vanadium mine to setting up a joint venture bank in the Ukraine.

Now he appears to have been offered one of those one-in-a-lifetime opportunities to break into the cliquey European metals business, by Axel Johnson, the Swedish conglomerate, which is selling its 127-year-old metals trading subsidiary to AIOC.

Clingman's insistence that Axel Johnson was more interested in securing a good home for its metal trading business, rather than the highest price, sounds like self-serving marketing hype. Even so the deal more than doubles AIOC's size, and while Clingman is still not in Marc Rich's league, clearly he is a man to watch, especially if he can continue to grow his private empire rapidly without tripping up.

### Spanish U-turn

When Michael Portillo, chief secretary to the Treasury, introduces Jose Maria Aznar, leader of Spain's centre right Partido Popular, at London's Queen

Elizabeth II conference centre this morning, even hard-headed fund managers may spot the poignancy of the occasion.

Portillo's father Luis Gabriel, a mild-mannered law professor at Salamanca University, had to flee Spain when the Republican government he supported was crushed by General Franco's uprising. Aznar's grandfather, Manuel, who made his name as a World War I war correspondent, wrote the official Francoist account of the 1936-39 fratricidal struggle.

A refugee in London, Portillo senior, penned elegant and nostalgic sonnets about his lost homeland and worked as a translator for Reuters and the BBC. Manuel Aznar went on to be chairman of Spain's state-owned news agency EFE after serving as Spanish ambassador to the UN.

Grandson Jose Maria is being wine and dined in London by James Capel, the securities house, who appear to have placed a firm bet on Spain's neck-and-neck elections. With Spain's centre right promising a sweeping privatisation programme, such hospitality could be a sound investment.

### Kantor banter

The latest rumour in world trade circles is that US steel producers want punitive action to be taken by the Commerce Department against cut-price foreign imports. Stand by for the first ever anti-dumping suit.







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# FINANCIAL TIMES COMPANIES & MARKETS

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## INSIDE

### Merger forms big US metals trading group

AIOC Corporation, a privately-owned New York-based company, is being catapulted into the ranks of the world's major metals trading groups by acquiring Axel Johnson's raw materials trading subsidiary from the Swedish conglomerate. The merger would make AIOC the biggest independent US-based physical metals trading group. Page 15

### Tanker fleet to be cut

Royal Dutch/Shell, the Anglo-Dutch oil group, plans to rationalise its shipping operations in an effort to cut costs and reduce exposure to increasing environmental liabilities of the oil tanker trade. Mr Ian McCreath, managing director of Shell International Marine, said the company would reduce the number of large oil carriers currently held in its four deep-sea fleets from 42 to 30 by 1997. Page 14

### Parmalat makes rights issue

Parmalat, the acquisitive Italian dairy products group, is raising L427bn (\$200m) through a rights issue to buy out the controlling Tani family's minority stake in its main operating subsidiary and create funds for future growth. Page 16

### Traders wonder what is to come



Everything the Spanish bond market had been piously taught to expect has to be unlearned. Restrictive monetary policy has been turned on its head and what bond traders had come to call the corset, has been stripped off and abandoned. This has left everybody wondering what will happen next. Page 16

### Airlines decline

Singapore Airlines, consistently one of the world's most profitable airlines, has finally succumbed to the effects of the recession in much of the industrialised world. Thai Airways International reported a decline in second-quarter earnings. Page 15

### Market Statistics

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## DTB suspends three over 'irregularities'

By Tracy Corrigan in London

THE second revelation of trading manipulation on a European futures exchange in less than a month has shaken futures traders and their clients.

The Deutsche Terminbörse (DTB), the German futures and options exchange, announced late on Friday that it had uncovered trading "irregularities" which could lead to criminal charges.

Three weeks ago, BZW Futures, the futures trading arm of Barclays de Zoete Wedd, suspended four of its floor traders pending disciplinary hearings by the Lon-

don International Financial Futures and Options Exchange (LIFFE).

The DTB has suspended three traders. It is believed that at least one member firm and one firm outside the exchange are involved in the irregularities.

A DTB spokesman declined to reveal the nature of the irregularities, or the contracts involved, saying that he "wants to keep the black sheep insecure" while the investigation, which began two months ago, is pursued.

The DTB went public on the investigation after one of the suspended traders admitted his involvement, according to

sources close to the affair.

While the alleged rule violations on LIFFE involved profits on improper trades of only around 25,000 (\$7,700) and would not form the basis of any criminal charges, the DTB spokesman suggested that the irregularities detected on the DTB could be on a large scale. "The black sheep have tried to cover the manipulation in a professional way," he said. He added that, to the exchange's knowledge, there had been no damage to clients.

Although dubious practices in the futures markets have become less common, such cases do not help improve the

image of the futures business, which is still seeking to recover from the effect of a case of illegal trading in the US which culminated in a Federal Bureau of Investigation sting operation at the Chicago Mercantile Exchange in 1989.

Federal indictments were brought against 46 traders, alleged to have illegally benefited from trades done on their personal accounts. As a result, 46 have been convicted at trial or through plea agreements.

DTB rules have legal force and the exchange can pursue the traders involved through the prosecutor's office.

## Richard Lapper analyses the prospects of a new wave of investors for the market

### Lloyd's acts to ensure a fresh supply of capital

MR ROBERT HISCOX, deputy chairman of Lloyd's of London, waxed lyrical about the prospects of a new wave of investors at the insurance market.

"The US investment banks are beating a path to my door," he says.

Lloyd's moved to revamp its capital structure last year. But the publication last month of a business plan outlining the basic terms on which new incorporated capital can participate, has unleashed frenetic activity among the market's 100 or so insurance agencies.

While Mr Hiscox has been crossing the Atlantic with bewildering frequency, other agents and brokers are working on plans ranging from the incorporation of existing Names, to the establishment of ambitious new investment funds.

"People are running around on corporate capital all over the place," says Mr Cliff Hampton, of Phoenix Securities, a specialist securities house which is also working on its own schemes.

Almost universally at Lloyd's, an influx of incorporated capital - which would have limited liability - is seen as essential for halting the decline in the market's capacity to compete in international commercial insurance and reinsurance markets.

The market's traditional capital supply - individual Names trading on the basis of unlimited liability - is drying up in the wake of losses of some £6bn (\$9.24bn) in the past five years. Capital supplied by Names is expected to fall to less than £5bn in 1994, compared with £11.1bn in 1989.

Corporate capital could come

from several sources. Existing wealthy Names can now form companies - with limited liability. To do this though they would need assets of at least £1.1m - compared with the £250,000 required by existing Names.

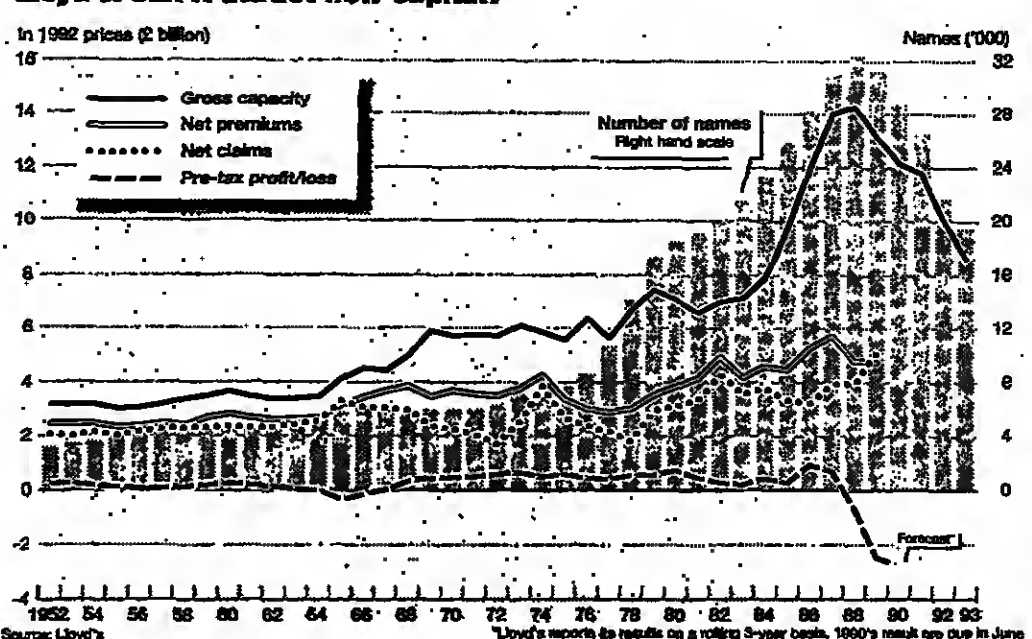
Existing less wealthy Names: Members' agencies are also working on schemes which would allow Names to form groups trading on a limited liability basis. Insurance companies: Two Lloyd's agencies have set up "consortium" arrangements, in which the insurance company underwrites business alongside the Lloyd's syndicate. Japanese insurance companies are understood to be expressing tentative interest.

Venture capital: A number of investment banks - mainly from the US - are looking to venture capitalists to back new funds, through private placements. These would trade at the Lloyd's of London market as corporate Names. They will be encouraged by the backing offered by private US investors - such as Texas-based financier Mr Richard Rainwater and Vermont-based Mr Jack Byrne - to a number of new Bermudian reinsurance companies over the past year.

Institutions: A number of agents hope to establish funds, backed by institutional investors or directly by individuals who would buy shares in investment trusts sold on the retail market.

"It would be the nearest thing to buying shares in Lloyd's," says Mr Michael Wade, a broker who has teamed up with Sedgwick Group, the Lloyd's agency and broker, to examine the possibilities here. There are hopes that

### Lloyd's: can it attract new capital?



some of these new funds and new companies could be listed on the New York or London stock exchanges, making the investments more liquid and providing capital with an exit route.

US investment banks like JP Morgan and Salomon Brothers, and international insurance brokers like Marsh McLennan and Johnson & Higgins, are most active in exploring these new ventures.

The banks believe that sharply increased insurance rates create attractive opportunities for profit, while the brokers are keen to find new sources of capacity to allow them to place clients' business more easily.

Morgan and Marsh have already teamed up a number of new Bermudian ventures - including one which will supply reinsurance exclusively to Lloyd's syndicates.

"We've taken a lot of interest in Lloyd's over the last six months," said Mr David Jarvis of Salomon Brothers. "We have not

made a final conclusion but we are looking at a number of possibilities. The insurance market is going through a period of very considerable change and all these things are very interesting to us."

Matters should become clearer when Lloyd's publishes a rulebook in the summer, providing more details on legal and accounting arrangements, as well as on the regulatory and tax implications for incorporated Names. Lloyd's plans to control the amount of capital which comes into the market to avoid the growth of capacity, which led to disastrous rate competition in the late 1980s. This will possibly be achieved through a bidding system, although the rules as to how this will work have still to be spelled out.

Some agents fear that the new rules will be too late to allow any corporate Name to participate in 1994.

Lloyd's must surmount a number of obstacles if its plans are to be successful. It still has to convince the markets that billions of

dollars of old liabilities from US asbestosis and pollution claims can be isolated in a new reinsurance company, whose formation is a centrepiece of the new business plan. Many investors will also want to see evidence that a settlement of the litigation dogging the market is on the horizon before they commit themselves.

Moreover, many agents and syndicates may still have ground to make up before they can meet the much tougher standards of professionalism and disclosure that corporate investors will demand.

"Attracting corporate capital is not like falling off a log," says one senior industry analyst in London. "The businesses at Lloyd's will have to develop presentations that have real arithmetic substance. It won't be enough simply to say we think we can make 50 per cent underwriting margins."

Mr Hiscox admits it will be hard work. "There are a lot of horses out there and a lot of water to drink. But there is also a lot of barbed wire in between."

## SBC scrip offer for BICC and Redland

By Norma Cohen, Investments Correspondent

SWISS Bank Corporation has reached an agreement with Barclays de Zoete Wedd under which SBC will pay shareholders in BICC and Redland a higher cash alternative for the enhanced scrip dividends announced by both companies. BZW, which devised the scrip dividend scheme, had planned to buy shares from investors at a 5 per cent discount.

SBC's offer is similar to one it made for the additional scrip dividends issued by BAT, in which it offered to pay shareholders 2 per cent less than the market price. The higher price offered for the shares increases the likelihood that investors who elect the scrip option - and 91 per cent of BAT's shareholders have done so - will choose to sell their extra shares.

Some 21 per cent of BAT shareholders have sold their extra shares, compared with 18 per cent of shareholders in RTZ, for which there was no additional cash offer.

SBC, which made its offer after the less attractive one from BZW had been announced, has agreed to make some compensatory payments to its competitor to cover marketing, promotion and printing costs. No compensatory payments are to be made in the Redland or BICC deals.

In the case of BICC shares, SBC is offering to pay 19.47p ordinary share compared with the 18.57p offered by BZW. In the case of Redland, SBC is offering 24.62p per share against the 23.87p offered by BZW.

So far, six UK corporations have issued enhanced scrip dividends, offering shares worth 50 per cent more than the alternative cash dividend, to minimise the amount of unrecoverable Advance Corporation Tax they must pay. Scrip dividends do not incur tax charges and several issuers have saved substantial amounts by making the offering.

Mr Brian Keelan, executive director of corporate finance at SBC, said the offer followed an analysis of BZW documents issued for the BAT deal. SBC concluded that the underwriters exposed themselves to three days of market risk in their offer to repurchase the shares, and a discount of 5 per cent was excessive. In typical rights offerings, underwriters expose themselves to market risk for longer for a discount of 2 per cent. SBC job cuts, Page 15

FINANCIAL markets tend to give to those who already have.

Nowhere is this more evident than in the relationship between providers of capital and developing nations. One of the challenges facing economic policy makers is to increase the flow of private investment capital to many promising developing countries that are currently attracting too little.

The problem is of more than academic interest. Italy or Spain are only a few hours fast boat ride from the southern shore of the Mediterranean while the collapse of communism has made a western standard of living seem tantalisingly close to many in former Iron Curtain countries. If countries like Egypt, Morocco or some of the former communist countries of eastern Europe are not helped to grow faster, the pressures of immigration into economically mature western countries will exceed manageable bounds.

In fact, the revival of private sector flows to the developing world so far this decade is one of the economic success stories of the 1990s.

World Bank studies estimate that net foreign direct investment in developing countries rose to about \$37bn in 1992, a 75 per cent increase compared with 1990. Joint research by the International Monetary Fund and World Bank suggests the flow of portfolio investments into developing countries through bond issues in international markets or international equity placements by developing country companies was \$30bn in 1992 compared with less than \$6bn a year between 1989 and 1988.

However, these funds have been very unevenly distributed. Four Latin American countries - Argentina, Brazil, Mexico and Venezuela - accounted for more than half the recorded portfolio flows in 1991-92 with China, Hungary, South Korea and Turkey accounting for much of the

## Shifting private sector funds to more countries

rest. A similar group of countries, plus the Czech republic, Malaysia, Indonesia and Thailand has attracted most of the foreign direct investment recently. In 1991 just 10 developing nations received more than 70 per cent of total foreign direct investment.

Private investment is steering clear of sub-Saharan Africa, the poorer countries of south Asia and many former communist countries in eastern Europe and the former Soviet Union.

It is no surprise that some

officials, rarely attract much notice. But this time, there was a attempt to stimulate debate by Mr Ricardo Hausmann of Venezuela, the committee's new chairman. He had asked governments and outside consultants to put forward ideas on action to encourage private capital flows.

The result was a flood of detailed, mainly micro-economic suggestions, highlighting many complex difficulties. There were 21 proposals for action to be undertaken by developing countries, 23 sug-

## Economics Notebook

By Peter Norman

countries find it difficult to attract foreign investment. But there is a "second tier" of countries, mainly in the middle income category, that should offer good opportunities for private investment. Some, like India, have made big efforts to strengthen their overall economic performance and received scant private sector capital from abroad.

It was with these countries in mind that the joint IMF-World Bank Development Committee met in Washington earlier this month to see what, if anything, could be done to spread private sector investment to more countries.

The committee's regular half-yearly meetings, which bring together finance and development ministers from industrialised, developing and former communist countries with IMF and World Bank

gestions directed at industrialised countries and 18 addressed to international financial institutions.

Many papers covered familiar ground, underlining, for example, that host countries should provide political and macro-economic stability. Some reflected a recognition that developing countries which remove barriers to the outflow of capital stand a better chance of luring back flight capital and attracting new private sector flows.

Detailed taxation issues emerged as a big problem, with investors worried about future tax liabilities in developing countries. Regulatory systems were cited as placing barriers to private investment in some countries. The World Bank was called upon to work with developing countries to make their

projects more understandable to rating agencies such as Moody's.

The World Bank said it must give more thought to so-called "second generation" development measures to improve the environment in which companies operate. These would build on "first generation" policies aimed at creating a stable macroeconomic framework and realistic prices.

Unfortunately, the discussion was summed up in a bland and unmemorable communiqué. The committee concluded that the responsibility for improving investment prospects mainly lies with the host country. But industrial countries have much to do, not least through the lowering of trade barriers.

Indeed the gap in quality between the papers put before the Development Committee and the published account of its deliberations raises the question as to whether it should continue in its present form. The IMF's policy making interim Committee gives directions to the Fund and, through its communiqués, sometimes provides the IMF's member countries with an important checklist of macroeconomic goals.

There is a good argument for the ministers using the Development Committee to give more pointed guidance to the World Bank and its member countries.

International financial institutions (IFIs) such as the World Bank are coming under increased scrutiny to determine whether they are providing a useful service and value for money.

The Development Committee could play a bigger role in making the World Bank's work more accountable and transparent for its members and the taxpayers who fund the bank. But accountability must be part of a two-way process in which the countries that own the IFIs give them clear directions.

## O&Y's US lenders become assertive

By Bernard Simon in Toronto

LENDERS to Olympia & York's US properties are becoming increasingly assertive in banking efforts by the developer's US subsidiary to distance itself from its crippled Canadian parent.

Citibank applied to a New York court late on Friday for an order giving special powers to Mr John Zuccotti, president of the US subsidiary. The extra powers would enable Mr Zuccotti, a former deputy mayor of New York, to complete transactions relating to O&Y's US buildings without the assent of the administrator of Toronto-based Olympia & York Developments (OYD).

The application reflects tensions which have been building since O&Y filed for bankruptcy protection for its Canadian and UK operations a year ago. The 80 per cent-owned US unit, whose properties include the World Financial Centre in lower Manhattan, has remained afloat while Mr Zuccotti attempts to stitch together a restructuring.

Citibank and Sanwa Bank, which are among the largest US creditors, dropped legal action against O&Y last March after the Canadian creditors agreed to name a board with a majority of directors who have no financial stake in the outcome of debt-restructuring negotiations.

Among the transactions Mr Zuccotti is anxious to complete are an agreement to defer payment of New York taxes and a plan to transfer control of a building at 60 Broad Street to Mr Li Ka Shing, the Hong Kong magnate.

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## COMPANIES AND FINANCE

## Heron sales should raise £90m

By Catherine Milton

HERON International expects to raise £90m in two property disposals to be formally announced next month.

It is understood the vehicle for Mr Gerald Ronson's property and trading activities has agreed the deals, one in Britain and one in continental Europe, but is not yet ready to make a formal announcement. Sales are thought to be at much higher yields than the current norm.

The company may find the deals a useful response to the controversy over Mr Ronson's salary package revealed in documents setting out the planned £1.4bn restructuring. They will go some way to

improving the pro forma net asset value shown at £12m.

Mr Ronson's £500,000 a year index-linked salary and five-year contract raised eyebrows when it was revealed in documents covering the restructuring which is due to be completed by July 1, subject to creditors' approval next month.

Without inflation the total package is worth £4.38m over five years, it represents a pay cut from Mr Ronson's current salary of £1.4m.

The business plan underlying the restructuring of Heron's £1.7bn debts as at November - when sterling's weakness increased the value of foreign currency borrowings - depends on a recovery in the

property market.

Heron says its property portfolio is worth £900m, making the two deals, one set for the middle and the other for the end of June, worth just 10 per cent of the total. Its disposal plans include house-builder Heron Homes.

It argues that the only alternative to the bank-backed restructuring would be lengthy and less rewarding insolvency proceedings.

One bond holder representative has conceded that the restructuring must go ahead although it is "flawed", because any suggestion that the restructuring plan had to be renegotiated could lead to the banks withdrawing support.

## Prospect of 25% payout for Payroll creditors

By Richard Gourlay

SOME OF London's leading financial institutions stand to retrieve a quarter of the £25.3m they lost last year when Payroll Services went into liquidation, having failed to forward their clients tax and national insurance contributions to the Inland Revenue.

The first instalment follows a novel agreement between 388 of the 390 creditor banks and agreed in the High Court. Clifford Chance, the law firm, and Touche Ross, the joint liquidators, believe they have established new precedent in the way that liquidations are carried out.

Touche Ross estimates the voluntary agreement has saved up to three quarters of the million pounds in professional and liquidation costs. The agreement will give creditors a much earlier sight of their share of the claim than would have been possible under a normal liquidation, which would usually involve legal proceedings against the insolvent company.

Lord Justice Parker, ruling on May 10, gave the two financial institutions which have not supported the agreement 28 days in which to object. The SFO is investigating Payroll Services and allegations of misappropriation of client funds.

Payroll Services was supposed not only to pay its clients' employees - which failed to do so would have led to early detection - it was also supposed to forward PAYE and national insurance contributions to the Inland Revenue. It is believed some of the missing money went into property investments.

The financial institutions leading the liquidation committee and among the more significant creditors, Credit Agricole, Creditanstalt, Yamalichi Sakura Finance and Cantor Fitzgerald.

Touche Ross said it could not say at this stage how much of the balance of the missing funds will be retrieved for creditors and when.

## R Dutch/Shell planning to rationalise shipping side

By Deborah Hargreaves

ROYAL DUTCH/Shell, the Anglo-Dutch oil group, plans to rationalise its shipping operations in an effort to cut costs and reduce exposure to increasing environmental liabilities of the oil tanker trade.

Mr Ian McGrath, managing director of Shell International Marine, said the company will reduce the number of large oil carriers currently held in its fleet from 42 to 30 by 1995.

At the same time it will merge its four fleets in the UK, the Netherlands, Germany and France and its separate freight

trading organisation into one company based in London. The move will entail losing some jobs among Shell Marine's 350 shore-based staff.

Mr McGrath said under 100 jobs will be cut in an effort to make savings in the order of "several millions of dollars." Shell's marine operations currently employ 2,600 people altogether and the plan was put to the company's staff on Friday. Mr McGrath expects the new company to be formed at the beginning of next year.

Shell had begun to examine its marine strategy in the wake of the Exxon Valdez disaster in 1989, Mr McGrath said. In an

effort to reduce its exposure to the risks of liability for environmental damage, the company was trying to carry as much of its own oil in its own ships as was economic. In addition, it had stepped up its inspections of ships chartered.

Shell owns 2 per cent of the world's tanker fleet, but the company said it will lease most of its carriers in future. Freight rates for tankers are extremely low and the world's fleet is getting older. Mr McGrath said rates need to rise before the tanker fleet will be renewed, but he said that 80 per cent of accidents were caused by human error.

## Hewlett-Packard purchase

By Alan Cane

HEWLETT-PACKARD, the California-based electronics company, has agreed in principle to buy BT&D, a joint venture between BT and DuPont.

Terms were not disclosed, but sources suggested the price was in the low millions of pounds.

BT&D employs 455 people at its Ipswich facility and another 35 in the US and Japan developing and making fibre optic components. It was founded in 1986 to exploit emerging markets for fibre optics in communications.

It is understood that BT and DuPont were prepared to sell the company as part of BT's strategy of getting out of hardware manufacture. Hewlett-Packard, on the other hand, is increasingly focusing on communications as it gears up to become a supplier of "information superhighways" for companies networking their operations globally.

## London Atlantic

Net asset value at London Atlantic Investment Trust improved from 80.3p to 87p over the year to March 31.

Net revenue for the 12 months to the end of March was £1.52m (£1.39m) for earnings per share of 3.33p (3.06p). The final dividend is 2.29p for a total of 3.07p (2.95p).

## Fund managers dropping US stocks in favour of Japanese

By Catherine Milton

LEADING UK institutional fund managers strongly prefer Japanese equities to US stock, according to the May survey by Gallup for stockbrokers Smith New Court.

Some 24 per cent of fund managers said they would increase their holdings in Japanese equities compared with 1 per cent in the December survey.

A balance of 23 per cent claimed they would decrease holdings in US equities against 16 per cent intending to raise holdings in December.

Mr Peter Lyon, global strategist at Smith New Court, said

the Japanese equity market was significantly outperforming the US.

"That disparity suggests there may be a belated shift by UK fund managers toward Japanese equities and away from US equities."

The survey also shows managers moving away from gilts with 14 per cent intending to decrease holdings compared with 9 per cent in March. Smith New Court said this was prompted by fears about UK inflation which they believe are unfounded.

Managers are more optimistic about the 12-month outlook for UK equities than any other main market; 79 per cent said

they were bullish about the UK equity market compared with 62 per cent in January.

The survey suggests confidence about the UK economy continues to increase with 35 per cent of very optimistic, more than twice as many as the January survey. They have improved their earnings forecasts for 1993 from 13.8 per cent to 14.7 per cent.

The managers expect inflation to pick up in 1993 and 1994, but by less than was expected in the early surveys carried out after sterling's exit from the ERM.

The survey was backed by 89 institutions, handling funds worth £829bn.

## NEWS DIGEST

## Albert Fisher expands in US

Albert Fisher Group is paying up to \$4m (£2.5m) to enter the foodservice distribution market in Dallas, through the acquisition of the customer lists, trademarks and certain assets of American Produce & Vegetable Company.

Fisher will use American Produce - which has an annual turnover of about \$50m - as its flagship vehicle in north Texas.

## Personal Assets

Personal Assets Trust raised net asset value per share to

£75.18 at the end of April, against £70.92 a year earlier.

Available revenue for the year climbed from £250,000 to £365,000, giving earnings of 243p (187p). Dividends equivalent to a total of 180p (160p) have already been announced.

In November, the trust made a 1-for-100 share consolidation.

## Overseas Trust

Net asset value per ordinary share of the Overseas Investment Trust rose from 274.6p to 350.8p over the 12 months ended March 31. At end-September 1992 the figure stood at 268.8p.

After-tax revenue for the half year to March 31 slipped to £452,000 (£469,000). Earnings per share emerged at 1.19p (1.23p). The interim dividend is lifted to 0.85p (0.8p).

## M Grenfell Equity

Net asset value per ordinary share of the Morgan Grenfell Equity Income Trust stood at 122.8p at March 31 1993. That compared with 88.7p a year earlier and with 94.1p at end-September 1992.

Available revenue for the half year to end-March totalled £541,000 (£323,000), equal to earnings of 2.22p (1.32p). The interim dividend is being doubled to 2p.

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## Key Data

In SFm	1991	1992	% Change
Net Revenues	56.6	68.8	3
Cash Flow	18.4	19.9	8
Net Income	14.1	14.3	2
Dividend	7.2	7.8	8
Extraordinary Dividend	-	27.0	-
Total Assets	387.0	420.9	9
Capital and Reserves	109.7	89.0	-19
Staff	221	212	-4

With stocks and bonds more buoyant than in previous years due to easing money-market rates, Ferrier Lullin was once again able to achieve satisfactory results in fiscal 1992. The nearly SF 20m operations generated in cash flow enabled us to raise our dividend from 24% to 26% while retaining more money to cover capital investments than in the preceding financial year. In conjunction with the restructuring of the SEC group's portfolio management activities, the major development in our financial situation last year was the distribution of an extraordinary dividend amounting to SF 27m.

As a result, the capital and reserves reported in the balance sheet fell to SF 89m from 110m the previous year, following allocation of 1992 net income. Even so, at over 20% of total assets and over a third of borrowed funds, they are still extremely large compared with statutory requirements.

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## Phoenix Securities Limited

and

## Phoenix Fund Managers Limited

have moved to:

One Laurence Pountney Hill  
London EC4R 0EU

Our telephone and fax numbers remain unchanged as follows:

Phoenix Securities Limited  
Telephone: 071 638 2191  
Facsimile: 071-638 0707

Phoenix Fund Managers Limited  
Telephone: 071-638 3818  
Facsimile: 071 638 3487

## NOTICE OF REDEMPTION

To Holders of Specified

## BankAmerica Corporation

Floating Rate Senior Euro Medium-Term Notes, Series D

NOTICE IS HEREBY GIVEN that pursuant to the provisions of Article Eleven of the Indenture dated as of July 15, 1989 between BankAmerica Corporation (the "Company") and First Trust California National Association, as successor trustee, and pursuant to the terms of the Floating Rate Senior Euro Medium-Term Notes, Series D (the "Notes"), which were issued under a Prospectus Supplement dated February 2, 1989 (the "Prospectus Supplement"), the Company has elected to redeem the entire outstanding principal amount of the Notes on June 15, 1993 (the "Redemption Date") at a price equal to 100% of their principal amount, together with accrued interest to the Redemption Date.

Original Issue Date	Maturity Date	Principal Amount
June 6, 1990	June 15, 1994	U.S. \$ 5,000,000
June 9, 1990	June 15, 1994	U.S. \$ 10,000,000
June 23, 1990	June 24, 1994	U.S. \$ 5,000,000

Payment will be made on the Redemption Date upon presentation and surrender of the Notes at the offices of the paying agent at the following address:

Bankers Trust Company  
1 Appold Street  
London EC2A 2HE  
(England)

The method of delivery of the Notes is at the option and risk of the holder but, if mail is used, registered mail is recommended for your protection. On and after the Redemption Date interest will cease to accrue on the Notes. All holders submitting their Notes must also submit a Form W-9. Failure to provide a completed Form W-9 will result in 30% backup withholding to the holder pursuant to the Internal Revenue Code and Regulations thereunder, as amended by the Comprehensive National Energy Policy Act of 1992.

BankAmerica Corporation  
By First Trust California National Association,  
as Successor Trustee

Dated: May 11, 1993

## U.S. \$100,000,000



## DEN DANSKE BANK

(Den Danske Bank A/S 1971 Aktieselskab)

(Incorporated in the Kingdom of Denmark with limited liability)

## Perpetual Subordinated Floating Rate Notes

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from May 17, 1993 to November 17, 1993, the Notes will carry an interest rate of 9 1/4% per annum. The interest payable against Coupon No. 18 on the relevant interest payment date, November 17, 1993 will be U.S. \$288.33.

By: The Chase Manhattan Bank, N.A.  
London Agent Bank  
May 17, 1993

## ECU 350,000,000

## Kingdom of Belgium

## Floating Rate Notes due 1999

Issued in two tranches of ECU 300,000,000 (1st tranche) ECU 50,000,000 (2nd tranche)

For the period from May 17, 1993 to August 17, 1993 the Notes will carry an interest rate of 7 1/4% per annum with an interest amount of ECU 2,050.49 per ECU 100,000 Note.

The relevant interest payment date will be August 17, 1993.

Agent Bank:  
Banque Paribas Luxembourg  
Société Anonyme

This advertisement is issued in compliance with the requirements of the London Stock Exchange. It does not constitute an invitation to the public to subscribe for, or purchase, any shares. Applications have been made to the London Stock Exchange for the undermentioned securities to be admitted to the Official List.

Dealings in the ordinary shares of 5p each of EFG plc are expected to commence on 28th May, 1993

## EFG plc

(Incorporated in England No. 41898)

## Introduction to Official List by

Cazenove &amp; Co.

and Rights Issue

of 31,211,668 new ordinary shares of 5p each at 12p per share payable to full upon application

Share capital following the Rights Issue

Authorised	Issued and fully paid
£3,130,000	£2,340,875
£3,121,167	£3,121,167

Copies of the listing particulars are available for collection during normal business hours on any weekday (Sundays and Public Holidays excepted) on 17th May and 18th May, 1993 from the Company Announcements Office, the London Stock Exchange, Bartholomew Lane, London EC2 (collection only) and up to and including 1st June, 1993 from:

EFG plc  
Great Haseley,  
Oxford OX4 7PG

Cazenove & Co.  
12 Tokenhouse Yard,  
London EC2R 7AN

17th May, 1993

Cazenove & Co. is a member firm of The Securities and Futures Authority and of the London Stock Exchange.

## Notice of Partial Redemption

## ANSETT AIRCRAFT FINANCE LTD

USD 185,000,000

## Floating Rate Notes due 2001

Notice is hereby given that pursuant to paragraph 6.01 "Mandatory Redemption by the Issuer in Part by Certain Interest Payment Dates" of the Terms and Conditions of Notes, the following Bonds in the principal amount of USD 10,410,000 have been drawn by lot and are due for redemption at 100% plus accrued interest at the offices of the principal paying agent on the interest payment date 24th June, 1993:

No. 563 to No. 653 included

No. 3579 to No. 3768 included

Interest will cease on the Bonds called for redemption on and after the Redemption Date.

Payment will be made upon presentation and surrender of the Bonds, together with all appurtenant coupons maturing subsequent to the Redemption Date.

The nominal amount remaining in circulation after 24th June, 1993 amounts to USD 174,590,000.

The Fiscal Agent  
Banque Nationale de Paris  
(Luxembourg) S.A.

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## AIOC acquires metals unit from Axel Johnson

By Kenneth Gooding, Mining Correspondent

AIOC CORPORATION, a privately-owned New York-based company, is being acquired by the metals trading group by acquiring Axel Johnson's raw materials trading subsidiary from the Swedish conglomerate.

Mr Alan Clingman, 33, chairman of AIOC and one of its main shareholders, would not give details of the cost of the acquisition, but said both AIOC and Axel Johnson Resources (AJR) had annual sales of more than \$1bn. The merger would make AIOC the biggest independent US-based physical metals trading group, he said. It would give AIOC the chance to "fill a void" in its international operations because AJR would provide a strong business in Europe.

Mr Clingman, who with his partner Mr Alexander Krasner has previously expanded AIOC since taking over six years ago, said: "It is a very logical fit for us. They are strong where we are weak and vice versa." AIOC has substantial international operations which are strong in the Commonwealth of Independent States and other parts of the former Soviet Union, where it now has eight offices. The group handles the full range of ferrous products from iron ore through specialty steel, including ores,

ferro alloys, specialty alloys, pig iron and steel in all its forms, as well as aluminium and its raw materials, bauxite and alumina.

AJR will add copper to the list for the first time and substantially increase AIOC's nickel business because the Swedish company has a contract to import nickel, copper and cobalt to Europe from Norilsk in Russia, the world's biggest nickel producer.

AIOC employs about 200 people and AJR about 100. Mr Dag Bjurström, AJR's managing director, will join the AIOC board. Mr Clingman said there would be opportunities to rationalise where both companies had offices in the same city.

Passenger and cargo fell to keep pace with this increase in capacity. The load factor dropped more than 2 per cent to 67.8 per cent, with the passenger seat factor down 2.2 per cent and cargo down 1 per cent. The yield - the revenue earned per passenger or tonne of freight - dropped by more than 10 per cent.

Analysts said that in spite of the fall in profits, SIA continued to outperform most of the world's airlines. They pointed out that SIA's performance improved slightly in the second half of 1992-93, and that the airline was sitting on a comfortable cash cushion.

Analysts in Bangkok said the airline was still likely to miss substantially its forecast of profits of Bt1.6bn for this year as a whole.

Barclays De Zotte Wedd downgraded its earnings forecast for the full year to Bt2.2bn from Bt4bn after the first-quarter results.

The airline included aircraft sales in its figures, which partly explained the big swings in profits.

## Spanish credits fuel \$5bn loan speculation

By Richard Waters

TWO Spanish government-backed credits are being brought to the international loans market, adding to speculation that the Kingdom is about to borrow up to \$5bn directly from international banks.

In a transaction expected to be announced this week, Ajesa, a company set up as a refinancing vehicle for the Expo '92, is to seek the equivalent of Ptas70bn (\$603m). The loan will be denominated in another European currency, probably Ecu, according to one of the banks leading the transaction. Last Thursday's devaluation of the peseta has effectively decreased the size of the loan, in Ecu terms, by 8 per cent.

Ajesa, which carries a guarantee from the Kingdom of Spain, has taken over the assets and liabilities from the Expo in Seville. The spread on the seven-year loan, of just 25 basis points over Libor, was described by one banker as very aggressive. The loan is being led by Argentaria, ABN Amro and Deutsche Bank.

## Parmalat package to raise L427bn

By Haig Simonian in Milan

PARMALAT, the acquisitive Italian dairy products group, is raising L427bn (\$290m) through a rights issue to buy out the controlling Tanzi family's minority stake in its main operating subsidiary and create funds for growth.

The rights issue will be preceded by a share split which will reduce nominal value to L1,000 and raise the number of ordinary shares to 712m. Parmalat will then make a one-for-10 rights issue at L1,000 a share.

Shareholders taking up their rights will be offered two free warrants for every six new shares subscribed. Each warrant will give holders the right to buy one new ordinary share at L1,000 between 1997 and 1999.

About half the funds from the rights issue will be used to buy out the 22 per cent outstanding stake in the Parmalat operating company not held by Parmalat Finanziaria, the stock market-listed holding company.

This stake is almost all held by members of the Tanzi family, which used to be the group's sole owner.

Alps said that while the electronics industry's inventory adjustments had been more or less completed, full-scale recovery was not likely in the near future as consumer spending was still at a low level.

The pressures of the yen's appreciation were also expected to impact negatively on this year's earnings.

subscribe to the rights issue, with Coloniale buying just over 50 per cent of the shares on offer at a cost of L213.7bn.

The remaining funds from the rights issue will be used to finance expansion. Parmalat has grown rapidly in recent years and this year expects sales to rise to about L2,800bn from L1,636bn in 1992.

Although it has given no indication of imminent takeover targets, it is known to be bidding for the milk and tinned vegetable interests of the state-owned SME foods group currently being privatised.

## Singapore Airlines slips 14.8%

By Kieran Cooke in Kuala Lumpur

SINGAPORE Airlines (SIA), consistently one of the world's most profitable airlines, has finally succumbed to the effects of the recession in much of the industrialised world.

For the year ended March, the airline saw pre-tax profits slide by 14.8 per cent to S\$945m (US\$591m), compared with 1991-92. Turnover was 4.2 per cent higher at S\$5.65bn.

SIA blamed recession in the industrialised world, intense competition and the strong Singapore dollar. There were no aircraft disposal profits, against S\$98m last time.

The airline, excluding cargo, engineering and other group subsidiaries, made pre-tax profits of S\$794m - down 26.8 per cent - on revenues 2.4 per cent higher at S\$5.135bn.

SIA said the transfer of the airline company's engineering activities to a separate engineering subsidiary partially contributed to the fall in company profits.

Last year, SIA increased its capacity by nearly 18 per cent. Four new destinations - New York, Durban, Madrid and

## Thai Airways declines to Bt449.6m

By William Barnes in Bangkok

THAI Airways International reported a decline in second-quarter earnings to Bt449.6m (\$18m) from Bt521.1m in the same period a year earlier.

The results represent a substantial improvement on the first quarter, when net profits tumbled to Bt120m from Bt792.2m.

Profits for the first six months were Bt568.4m compared with Bt1.31bn in 1992.

## Alps Electric plunges to Y1.95bn

By Michio Nakamoto in Tokyo

ALPS Electric, which supplies parts to consumer and other electronics manufacturers, saw pre-tax profits fall to Y1.95bn (\$17.5m) for the year to March 1993.

## Siderca seeks control of Tamsa

By Damian Fraser in Mexico City

SIDERCA, the Argentine steel tube maker, is set to take effective control of Tubos de Acero de Mexico (Tamsa), Mexico's only manufacturer of steel tubes.

the Mexican steel tube company will continue to maintain its separate identity.

The deal underscores Siderca's ambitions to consolidate its share of the international steel tube market.

## Swiss Bank Corp to cut 200 jobs

SWISS Bank Corporation will reorganise its North American operations and cut 200 jobs this year, AP-DJ reports from Zurich.

The bank said the objective was to create a powerful capital markets and treasury and corporate finance franchise, complemented by a funds management and private banking strategy.

Prices for electricity determined for the period of the electricity trading and settlement arrangements in England and Wales

Hour	Unit	Price	Unit	Price	Unit	Price
1/2 hour	0000	21.95	18.02	18.02	0000	21.95
1/2 hour	0100	26.01	18.02	18.02	0100	26.01
1/2 hour	0200	35.00	35.00	35.00	0200	35.00
1/2 hour	0300	35.00	35.00	35.00	0300	35.00
1/2 hour	0400	35.00	35.00	35.00	0400	35.00
1/2 hour	0500	35.00	35.00	35.00	0500	35.00
1/2 hour	0600	35.00	35.00	35.00	0600	35.00
1/2 hour	0700	35.00	35.00	35.00	0700	35.00
1/2 hour	0800	35.00	35.00	35.00	0800	35.00
1/2 hour	0900	35.00	35.00	35.00	0900	35.00
1/2 hour	1000	35.00	35.00	35.00	1000	35.00
1/2 hour	1100	35.00	35.00	35.00	1100	35.00
1/2 hour	1200	35.00	35.00	35.00	1200	35.00
1/2 hour	1300	35.00	35.00	35.00	1300	35.00
1/2 hour	1400	35.00	35.00	35.00	1400	35.00
1/2 hour	1500	35.00	35.00	35.00	1500	35.00
1/2 hour	1600	35.00	35.00	35.00	1600	35.00
1/2 hour	1700	35.00	35.00	35.00	1700	35.00
1/2 hour	1800	35.00	35.00	35.00	1800	35.00
1/2 hour	1900	35.00	35.00	35.00	1900	35.00
1/2 hour	2000	35.00	35.00	35.00	2000	35.00
1/2 hour	2100	35.00	35.00	35.00	2100	35.00
1/2 hour	2200	35.00	35.00	35.00	2200	35.00
1/2 hour	2300	35.00	35.00	35.00	2300	35.00
1/2 hour	2400	35.00	35.00	35.00	2400	35.00

J.P. Morgan & Co. Incorporated  
US\$250,000,000  
Subordinated floating rate notes due November 2002

In accordance with the provisions of the notes, notice is hereby given that for the interest period 17 May 1993 to 16 November 1993 the notes will carry an interest rate of 5.25% per annum, interest payable on the relevant interest payment date 16 November 1993 will amount to US\$133.44 per US\$100,000 note and US\$2,668.80 per US\$100,000 note.

Agent: Morgan Guaranty Trust Company JPMorgan

RENFE  
RED NACIONAL DE LOS FERROCARRILES ESPAÑOL

US\$500,000,000  
Floating rate notes due 1998  
Unconditionally guaranteed by THE KINGDOM OF SPAIN

In accordance with the provisions of the notes, notice is hereby given that for the six months interest period 17 May 1993 to 17 November 1993 the notes will carry an interest rate of 3.125% per annum. Interest payable on 17 November 1993 will amount to US\$159.72 per US\$100,000 note and US\$1,597.20 per US\$100,000 note.

Agent: Morgan Guaranty Trust Company JPMorgan

PIRELLI S.P.A. - MILAN  
Pirelli UK International Finance B.V.  
£40,000,000 Guaranteed 7.5% Convertible Bonds Due 2000

In accordance with condition 11 (A) (e) (i) of the first schedule of the Trust Deed for the above mentioned convertible bonds, notice is hereby given to the Bondholders that an Annual General Meeting of the shareholders of Pirelli S.p.A. will be held in Milan on June 21st and 22nd 1993.

The Bondholders are therefore reminded that the subscription rights in Pirelli S.p.A. ordinary shares will not be exercisable from June 5th (date of publication in Gazzetta Ufficiale) up to and including June 23rd 1993.

NOTICE TO HOLDERS OF  
Olympia & York Water Street Finance Corp.  
3.25% Secured Notes and Zero Coupon Secured Notes, Each Due June 30, 1996

We hereby notify you of the resignation of Chemical Bank, successor by merger to Manufacturers Hanover Trust Company, as Trustee and Security Registrar under the Indenture, dated as of May 22, 1986 pursuant to which your Securities were issued and are outstanding, and as a paying agent (for Registered Securities only) and transfer agent thereunder.

IBJ Schroder Bank & Trust Company ("IBJ Schroder") whose Corporate Trust Office is located at One State Street, New York, New York, 10004 has been appointed as Successor Trustee and Security Registrar under the Indenture and as a paying agent (for Registered Securities only) and transfer agent thereunder. Furthermore, IBJ Schroder at such address has been appointed an agent of Olympia & York Water Street Finance Corp. (the "Issuer") for the service of notices and demands to or upon the Issuer. The foregoing appointments have been accepted and become effective as of May 4, 1993.

Chemical Bank shall remain as a paying agent (for Bearers Securities only) at main offices in London, England and Frankfurt/Main, Germany.

OLYMPIA & YORK WATER STREET FINANCE CORP.  
CHEMICAL BANK  
IBJ SCHRODER BANK & TRUST COMPANY

THE M-A-R-S FUND  
Société d'Investissement à Capital Variable  
2, Bld. Emmanuel Servais  
L-2355 Luxembourg  
R.C.B. 43139

EXTENSION OF INITIAL SUBSCRIPTION PERIOD

Notice is hereby given that, according to the provisions of the Prospectus and Articles of Incorporation, the Board of Directors has decided to extend the initial offering period for the Company from 10 May 1993 to 10 June 1993. Decision has been taken as regards the growing interest and the continuous flow of demands for subscriptions received at the registered office.

THE BOARD OF DIRECTORS

Götabanken  
(Incorporated in the Kingdom of Sweden with limited liability)  
U.S. \$50,000,000  
Floating Rate Capital Notes due 1994

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the Period 17th May, 1993 to 17th November, 1993 has been fixed at 5 1/4% per annum.

The Coupon Amount in respect of U.S. \$10,000 nominal of the Notes will be U.S. \$268.33

The Interest Payment Date will be 17th November, 1993.

Agent Bank  
Samuel Montagu & Co. Limited

This advertisement is issued in compliance with the requirements of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited (the "London Stock Exchange"). It does not constitute an invitation to the public to subscribe for or purchase any securities. Application has been made to the London Stock Exchange for admission to the Official List of all the "C" Shares of Genesis Emerging Markets Fund Limited. It is expected that admission will become effective and that dealings in the "C" Shares will commence on 27th May, 1993.

Genesis Emerging Markets Fund Limited  
(Incorporated and registered with limited liability under the laws of Guernsey, registered No. 20740)

Placing by  
S.G. Warburg Securities Ltd.

of  
4,500,000 'C' Shares at US\$10.00 per share  
and Open Offer of up to 4,000,000 'C' Shares  
at US\$10.00 per share

Share Capital	Authorized	No.	Issued	No.
Founder Shares	1,000	1,000	1,000	1,000
Unclassified Shares	250,000	25,000,000		
Participating Shares			54,331	5,433,113
"C" Shares	85,000	8,500,000	85,000	8,500,000
	336,000		140,331	

\* Assumes the Placing and the Open Offer are fully subscribed

Genesis Emerging Markets Fund Limited is a closed-ended investment company which was formed to invest in emerging stock markets. Its Participating Shares were admitted to the Official List of the London Stock Exchange in July 1989. Listing particulars will be available during normal business hours on any weekday, Saturdays and bank holidays excepted, up to and including 31st May, 1993 from:

Genesis Emerging Markets Fund Limited,  
P.O. Box 208,  
Bermuda House,  
St. Julian's Avenue,  
St. Peter Port,  
Guernsey

S.G. Warburg Securities Ltd.,  
1 Finsbury Avenue,  
London EC2M 2PA

Genesis Investment Management Limited,  
21 Knightsbridge,  
London SW1X 7LY.

Copies of the listing particulars are also available from the Company Announcements Office, the London Stock Exchange, London Stock Exchange Tower, Old Broad Street, London EC2N 1HP, up to and including 19th May, 1993.

17th May, 1993

BANQUE INDOSUEZ  
US \$150,000,000  
Subordinated Floating Rate Notes due 1998

Notice is hereby given pursuant to the Terms and Conditions of the Notes that for the six month period from May 17th, 1993 to November 17th, 1993 the Notes will carry an interest rate of 5.8875% per annum.

On November 17th, 1993 interest of US \$80,947.22 will be due per US \$5,000,000 Note for Coupon No. 11.

Banque Indosuez Luxembourg B.A.  
Fiscal Agent Bank

National Westminster Bank  
(Incorporated in England with limited liability)  
U.S.\$500,000,000 Junior FRNs

Notice is hereby given that the Rate of Interest has been fixed at 5% and that the interest payable on the relevant Interest Payment Date November 17, 1993 against Coupon No. 19 in respect of U.S.\$25,000 nominal of the Notes will be U.S.\$638.89 and in respect of U.S.\$5,000 nominal of the Notes will be U.S.\$127.78.

May 17, 1993, London  
By: Citibank N.A. (Issuer Services), London Branch, Agent Bank

RJB MINING PLC  
FLOTATION REGISTRATION  
HELPLINE

FREEPHONE  
0800 800 490

To register your interest in the flotation and to obtain a mini prospectus please call our free helpline

The value of shares can fall as well as rise and investors may get back less than they invested when the shares are sold.

The contents of this advertisement, which have been prepared and are the sole responsibility of the company, are not to be relied upon for any purpose other than to provide information to the public. The Directors and Officers of RJB Mining PLC have been approved by the Secretary of State under the provisions of the Companies Act 1985.



## INTERNATIONAL CAPITAL MARKETS

## UK GILTS

## Prices stalled by concerns over next auction

GILT prices moved sideways in volatile trading as the market found little stimulus to higher prices. A dominant concern was that the next gilt auction, scheduled for May 26, will force up yields.

With a rush of figures this week about the UK economy, many investors were wary of doing much buying and selling of gilts. The Danish referendum tomorrow on Maastricht and the Bundesbank council meeting on Thursday - which some believe will decide on another cut in interest rates - added to the sense of nervousness.

This month's auction is likely to be of a further £3bn or so of stock, in the 10-15 year maturity range, with further details being announced tomorrow.

At the same time, the Bank will publish its latest quarterly report on inflation, which is expected to comment in detail

on monetary developments of recent months and the fact that pressures on prices may be starting to re-appear on fragile signs of recovery.

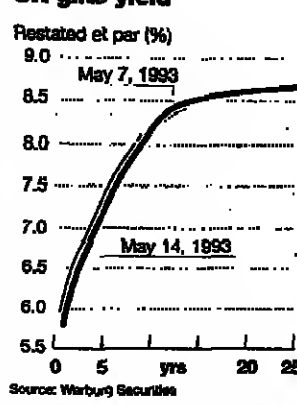
In recent weeks, the Bank's regional agents - a network of people around Britain who report once a month to Bank officials in London about economic trends - have indicated that more companies are keen to pass on to customers rising costs arising from wages and materials.

This trend is seen in the Bank as worrying and underlining the need for caution in handling any possible adjustments in interest rates in the coming months.

There has been some satisfaction at the Bank at the relatively good reception among small, retail investors for gilts in recent weeks.

Even so, a great deal of optimism is needed to believe that the £50bn or so of gilts which

## UK gilts yield



The Bank will probably need to sell during the current financial year will find ready buyers. The chances are that prices will come down, particularly at the long end of the market where it is thought yields might rise in anticipation.

be as high as £3.5bn, according to some theories, in which case a new bout of anxiety may be triggered among investors thinking that the £50bn estimate for official gilt sales is on the low side.

With auctions arriving at the rate of one a month, some in the gilt market have been trying to make the case that the Bank should have decided on a policy of having one auction every two months, in which case there would have been longer periods in which the market could have traded free from auction jitters.

That option has been considered by the Bank but ruled out on the grounds that the large volume of stock - up to £7bn or £8bn a time - would have been far too much stock for the gilt market to absorb with comfort.

Attention this week will focus on the latest UK unemployment data, which is due to

be released on Thursday. The consensus forecast for a rise of 15,000 last month reflects the widespread scepticism that unemployment has turned the corner so early in a recession, with many dismissing the seasonally adjusted falls in February and March as freak results.

The consensus is that the year-on-year rise in the retail prices index last month will turn out to be 1.5 per cent or, excluding mortgage interest payments, up 3.1 per cent on the year. These details are due to be announced on Friday.

The economic data this week follow the generally encouraging inflation figures from last week, which showed that prices of raw materials and fuel purchased by UK manufacturing industry rose by 7.2 per cent in the 12 months to April, compared with a rise of 8.4 per cent in the year to March.

The output prices index - the prices of manufactured products as they leave the factory gates - rose by 3.8 per cent in the year to April, compared with 3.7 per cent in the year to March.

This trend continues to give the impression that rising prices are not a pressing problem.

Although the figures added some life to the gilt market, prices fell back later in the week, partly because worse than expected inflation data from the US unsettled bond markets on Wall Street.

Peter Marsh

## US MONEY AND CREDIT

## Long bonds bear brunt of further inflation jitters

A FRESH bout of inflation jitters is running through the US credit markets - just ahead of tomorrow's meeting of the Federal Reserve's policy-making Open Market Committee.

The worries were sparked off by two sets of statistics last week.

The producer price index, released on Wednesday, showed a rise of 0.8 per cent in April, well above analysts' expectations and the largest gain in 2½ years. That sent long bond prices down more than half a point on the day.

Thursday's consumer price index had an even greater impact on the market. It showed an unexpected 0.4 per cent rise last month and, when coupled with the release of figures showing a 1.2 per cent rise in April retail sales, knocked nearly 1½ points off the long bond.

The bad inflation news was particularly poorly timed from the US Treasury's viewpoint, for it came only a few hours before the government's sale of \$2.5bn of 30-year bonds, the last stage in its large quarterly refunding programme.

The worries persisted to the end of the week, with the yield on the long bond standing around 6.94 per cent on Friday night, compared with 6.84 per cent earlier.

All this has killed off the market's faint hopes that tomorrow's Fed meeting might

ease monetary policy in view of the succession of other recent figures showing the disappointingly slow growth in the economy.

Instead, it has again posed the question of whether inflation is a significant threat, and how soon the Fed's current policy, targeting a 3 per cent rate on Federal funds, might turn tighter.

The consensus among many Wall Street economists is that the latest inflation figures are probably an aberration - the latest in a series of scares which are likely to continue as the economy moves slowly and erratically forward.

This view suggests that it is hard for inflation to take off when the economy may grow by between only 1.5 per cent to 2 per cent in the second quarter, and when unit labour costs are rising by less than 2 per cent in the non-farm sector.

Some bond bears argue that inflation has tended historically to accelerate in the third year of an economic recovery, and since the US is now in that stage it is bound to suffer accordingly.

However, as Mr Mitchell, head of securities house Smith Barney, points out, the current recovery is different from past ones, with the rate of utilisation of excess capacity falling far short of previous rebounds.

He adds: "The normal rise in

the capacity utilisation rate will not come to pass and commodity prices need not rise. Therefore, the normal rise in inflation or inflation fears that often characterise the second, third and fourth years of an economic recovery need not materialise."

While bond bears have read dire warnings into the recent sharp rise in the price of gold - which historically has been a measure of inflation fears - many analysts attribute this partly to special factors at work in the precious metals market, including strong demand and worries about supply constraints in the Asia-Pacific region.

Against this background, and with lingering doubts over the sustainability of the economic recovery, a Fed tightening of monetary policy still seems many months down the road, and the current 3 per cent target for Fed Funds could even stay in place for the remainder of this year.

However, of the same time, inflation fears seem likely to stall the rally at the long end of the market around its current trading range - particularly given Wall Street's growing doubts about President Clinton's capacity to push strong deficit-cutting legislation through Congress.

Martin Dickson

## SPANISH GOVERNMENT BONDS

## Corset is stripped off and abandoned

EVERYTHING the Spanish bond market had been piously taught to expect for as long as anybody cares to remember has to be unlearned. Restrictive monetary policy has been turned on its head and what bond traders had come to call the corset has been stripped off and abandoned.

The 8 per cent devaluation of the peseta last Thursday, followed by a 1.5 point cut in the official intervention rate at the end of the week, prompted long bond yields to fall by about 40 basis points and left everybody wondering what would happen next.

Guessing games on this scale have not been part of the domestic fixed income scenario for a long time.

Devaluation was not a surprise. The peseta had been realigned downwards in the European Monetary System by 5 per cent last September and by a further 6 per cent in November. It was not a question of whether the currency would be devalued for a third time, but of when it would be again forced to take the plunge.

What was new this time was

the interest rate cut. This had not occurred on the previous occasions as the authorities continued to preach strict orthodoxy in the face of the twin demons of inflationary temptations and immoderate wage rises.

At the end of last week, the Bank of Spain appeared to be throwing caution to the wind. It lowered rates on the back of a month-on-month consumer price index rise of 0.4 per cent, the highest April inflation rise for four years, at a time when the wage agreements were running at about 6 per cent.

Market watchers had to look no further than the June 6 date for general elections to find an explanation for such uncharacteristic behaviour. Faced with a strong challenge at the polls, the government seems determined to cut and run - which is exactly what it had previously insisted it would not do.

The about-turn raises all sorts of questions that bond investors in Spain have virtually forgotten how to ask. For a start, it is possible that given the current official mood, short-term interest rates will be allowed to fall very quickly.

## Yield differential



It is anybody's guess how much the rates will be brought down by an outgoing government that is rightly appalled by a recession that has wiped out more than 500,000 jobs in the past six months and which continues to destroy them at the rate of some 3,000 a day.

Yet how far can monetary indiscipline go when there is the looming threat of imported inflation?

The April inflation figure would have been worse had food prices not remained static. Rise in service prices were

sharply up from 7.3 per cent to 7.8 per cent, and underlying inflation remains menacing at 5.8 per cent year-on-year.

There is the sort of uncertainty in the air which makes the climate fit only for gamblers.

"We are not advising clients to buy strongly in the short because there are too many political factors," says Ms Claudine Innes of brokers Maxwell Espinosa.

When the votes have been counted after the June 6 election, one of two things will happen.

The first is that discipline will return under the aegis of a centre-right coalition government committed to a strong and salutary retrenchment. The second is that, in spite of the collapse of its economic policies last week, the socialist party will manage to scramble back into power, shorn of its majority and bereft of ideas.

Under the first scenario there could be a strong rally. Under the second, the currency speculators are likely to have a field day with the peseta.

Tom Burns

## FT CONFERENCES

## ASIAN ELECTRICITY

Singapore, 25 &amp; 26 May

Senior representatives from governments, utilities and the financial community will discuss the latest policy positions on privatisation in Asia; consider the financing of power projects and review future fuel choices. Speakers include: YB Dato' Mohd. Tajul Rosli bin Ghazali, Deputy Minister of Energy, Malaysia; Dr Piyasvasti Amranand, Acting Deputy Secretary General, The National Energy Policy Office, Thailand; Mr Deogracias Parilla, Vice President - Planning, National Power Corporation, The Philippines; Mr Daniel Ritchie, Director, The World Bank and Ms Rebecca Mark, Chairman, Enron Development Corp.

## NORTH SEA OIL &amp; GAS

London, 7 &amp; 8 June

The conference will review E&P activity and consider the prospects and challenges facing operators and contractors in a mature sector, with presentations by Shell UK Exploration and Production, Statoil, British Gas, Total Oil Marine, Oryx Energy Company and AMEC Engineering. Mr Tim Eggar MP, UK Minister of Energy, will be the guest lunch speaker.

## AEROSPACE AND COMMERCIAL AVIATION

Paris, 8 &amp; 9 June

The Financial Times' biennial conference arranged to precede the Paris International Air Show will focus on the prospects and challenges for the airline and commercial manufacturing industries faced with increasing competition. Where is the airline industry going? How can production be adapted? How can costs be cut? Speakers include: Mr Giovanni Bisignani of Alitalia, Dr Klaus Nittinger of Deutsche Lufthansa, Mr Adam Brown of Airbus Industrie, Mr Louis Gallois of Aéropostale, Mr Dick Evans of British Aerospace and Mr Viktor Mikhailov of JSC AVIATRAN.

## INTERNATIONAL TAX IN THE EEC AND THE US

London, 14 &amp; 15 June

The Financial Times second International tax conference will focus on the overall position of the European Community in relation to tax questions, including direct and indirect tax harmonisation issues and VAT. US tax proposals and future US transfer pricing methods will be addressed as well as the impact of tax treaty developments. The distinguished speakers who will discuss these and other important issues include: Mrs Christine Scrivener of the Commission of the European Communities; Mrs Valerie Strachan, CB of HM Customs and Excise; Mr Thierry Stoll of the Commission of the European Communities; Mr Leonard J H Belghiten, CB of the Inland Revenue; Mr Jacques Overgaauw of the Ministry of Finance, Netherlands; Mr Charles Triplett, formerly of the US Internal Revenue Service and Mr James Mogle formerly of the US Department of Treasury.

## MODERNISATION OF TELECOMMUNICATIONS IN CENTRAL AND EASTERN EUROPE

Berlin, 5 &amp; 6 July

The urgent need to modernise telecommunications network in Central and Eastern Europe has created a huge demand for equipment and expertise. The conference will examine the steps that have already been taken towards modernisation and focus on how the market is likely to develop in the future. Distinguished speakers include: Dr Wolfgang Bötsch, German Minister of Posts and Telecommunications; Mr Krzysztof Kilian, Polish Minister of Posts and Telecommunications; Mr Alajos Kausser, Director of the Hungarian Telecommunications Company; Mr Martin Selamon from OECD and Dr Edouard Wyllerman from EBRD.

All enquiries should be addressed to: Financial Times Conference Organisation, 102-108 Clerkenwell Road, London EC1M 5SA. Tel: 071-814 9770 (24-hr answering service) Telex: 27347 FTCONF G. Fax: 071-873 3975/3968.

## Yukong Limited

(Incorporated in the Republic of Korea with limited liability)

## Notice

to the Warrant Holders

to subscribe for Common Shares of

## Yukong Limited

U.S. \$75,000,000 5½ per cent.

Bonds due 1996 with Warrants

NOTICE IS HEREBY GIVEN to the Warrant Holders that as a result of the grant by the Company to holders of its shares and to employees of rights to subscribe for up to 4,437,000 shares of common stock of the Company described in the Notice given to the Warrant Holders on 16th February, 1993, the existing Subscription Price per share of common stock of the Company has, pursuant to the provisions of the Instrument constituting the Warrants, been adjusted from \$27.041 to \$26.613 with effect from 27th March, 1993 (the day after the record date in respect of the above grant).

U.S. \$200,000,000

## B

## Exterior International Limited

(Incorporated with limited liability in the Cayman Islands)

## Guaranteed Floating Rate Notes due 2001

Unconditionally Guaranteed as to payment

of principal and interest by

## Banco Exterior de España, S.A.

(Incorporated with limited liability in the Kingdom of Spain)

Notice is hereby given that for the six months interest period from May 17, 1993 to November 17, 1993 the Notes will carry an interest rate of 3½% per annum. The interest payable on the relevant interest payment date, November 17, 1993 will be U.S. \$162.92 per U.S. \$100,000 principal amount of Notes.

By: The Chase Manhattan Bank, N.A.,  
London, Agent Bank



May 17, 1993

## European Investment Bank

NLG 500,000,000

Floating Rate Bonds 1992 due May 15, 2002

In accordance with the Terms and Conditions of the Bonds, notice is hereby given that for the interest period from May 17, 1993 to August 16, 1993 the interest rate has been fixed at 6.40 per cent.

The Interest Amounts, payable on August 16, 1993, will be: for the denomination of NLG 10,000: NLG 161.78 for the denomination of NLG 100,000: NLG 1,617.78 for the denomination of NLG 1,000,000: NLG 16,177.78

## Rabobank Nederland

Utrecht, the Netherlands

May 17, 1993

The Chart Seminar - Presented by David Fuller - 25th year  
Copenhagen 2 & 3 July  
Luxembourg 2 & 3 September  
Zurich 7 & 8 October

Call Jane Farquharson  
Tel: 071-437 4931  
Fax: 071-437 4966  
e-mail: J.FARQUHARSON@FT.COM

FT/ISMA INTERNATIONAL BOND SERVICE									
Country	Instrument	Par	Yield	Price	Yield	Price	Yield	Price	Yield
U.S.	10YR TREASURY 1 1/2%	1000	7.00	100.00	7.00	100.00	7.00	100.00	7.00
U.S.	10YR TREASURY 1 3/4%	1000	7.12	100.00	7.12	100.00	7.12	100.00	7.12
U.S.	10YR TREASURY 2%	1000	7.25	100.00	7.25	100.00	7.25	100.00	7.25
U.S.	10YR TREASURY 2 1/4%	1000	7.37	100.00	7.37	100.00	7.37	100.00	7.37
U.S.	10YR TREASURY 2 3/4%	1000	7.50	100.00	7.50	100.00	7.50	100.00	7.50
U.S.	10YR TREASURY 3%	1000	7.62	100.00	7.62	100.00	7.62	100.00	7.62
U.S.	10YR TREASURY 3 1/4%	1000	7.75	100.00	7.75	100.00	7.75	100.00	7.75
U.S.	10YR TREASURY 3 3/4%	1000	7.87	100.00	7.87	100.00	7.87	100.00	7.87
U.S.	10YR TREASURY 4%	1000	8.00	100.00	8.00	100.00	8.00	100.00	8.00
U.S.	10YR TREASURY 4 1/4%	1000	8.12	100.00	8.12	100.00	8.12	100.00	8.12
U.S.	10YR TREASURY 4 3/4%	1000	8.25	100.00	8.25	100.00	8.25	100.00	8.25
U.S.	10YR TREASURY 5%	1000	8.37	100.00	8.37	100.00	8.37	100.00	8.37
U.S.	10YR TREASURY 5 1/4%	1000	8.50	100.00	8.50	100.00	8.50	100.00	8.50
U.S.	10YR TREASURY 5 3/4%	1000	8.62	100.00	8.62	100.00	8.62	100.00	8.62
U.S.	10YR TREASURY 6%	1000	8.75	100.00	8.75	100.00	8.75	100.00	8.75
U.S.	10YR TREASURY 6 1/4%	1000	8.87	100.00	8.87	100.00	8.87	100.00	8.87
U.S.	10YR TREASURY 6 3/4%	1000	9.00	100.00	9.00	100.00	9.00	100.00	9.00
U.S.	10YR TREASURY 7%	1000	9.12	100.00	9.12	100.00	9.12	100.00	9.12
U.S.	10YR TREASURY 7 1/4%	1000	9.25	100.00	9.25	100.00	9.25	100.00	9.25
U.S.	10YR TREASURY 7 3/4%	1000	9.37	100.00	9.37	100.00	9.37	100.00	9.37
U.S.	10YR TREASURY 8%	1000	9.50	100.00	9.50	100.00	9.50	100.00	9.50
U.S.	10YR TREASURY 8 1/4%	1000	9.62	100.00	9.62	100.00	9.62	100.00	9.62
U.S.	10YR TREASURY 8 3/4%	1000	9.75	100.00	9.75	100.00	9.75	100.00	9.75
U.S.	10YR TREASURY 9%	1000	9.87	100.00	9.87	100.00	9.87	100.00	9.87
U.S.	10YR TREASURY 9 1/4%	1000	10.00	100.00	10.00	100.00	10.00	100.00	10.00
U.S.	10YR TREASURY 9 3/4%	1000	10.12	100.00	10.12	100.00	10.12	100.00	10.12
U.S.	10YR TREASURY 10%	1000	10.25	100.00	10.25	100.00	10.25	100.00	10.25
U.S.	10YR TREASURY 10 1/4%	1000	10.37	100.00	10.37	100.00	10.37	100.00	10.37
U.S.	10YR TREASURY 10 3/4%	1000	10.50	100.00	10.50	100.00	10.50	100.00	10.50
U.S.	10YR TREASURY 11%	1000	10.62	100.00	10.62	100.00	10.62	100.00	10.62
U.S.	10YR TREASURY 11 1/4%	1000	10.75	100.00	10.75	100.00	10.75	100.00	10.75
U.S.	10YR TREASURY 11 3/4%	1000	10.87	100.00	10.87	100.00	10.87	100.00	10.87
U.S.	10YR TREASURY 12%	1000	11.00	100.00	11.00	100.00	11.00	100.00	11.00
U.S.	10YR TREASURY 12 1/4%	1000	11.12	100.00	11.12	100.00	11.12	100.00	11.12
U.S.	10YR TREASURY 12 3/4%	1000	11.25	100.00	11.25	100.00	11.25	100.00	11.25
U.S.	10YR TREASURY 13%	1000	11.37	100.00	11.37	100.00	11.37	100.00	11.37</



**Sanwa International plc**



**AUTHORISED  
TRUSTS**

Police  
Fire

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675	Hafsa Real Est	949	1,480	842	Mitsui Fudosen	1,380	1,030	795	Shimizu Corp	844	3,45	2.85	ANZ Bank	3.80	3.38	1.65	Mutl Purpose	2.70
670	Hiro Motors	800	954	771	Mitsui Marine	895	1,890	1,470	Shin-Etsu Chem	1,820	3.45	2.60	Aust Gas Light	3.37	2.04	1.40	Public Bank	1.97
680	Himeco Electric	5,040	574	408	Mitsui Mtd & Sm	563	1,130	695	Shin-Etsu		1.91	1.40	Aust Nat Inds	1.81	5	4.18	Stone Darby	4.88

560	Hiroshima (Sanyo) .....	836	557	Hikasa Doh Line .....	440	1,430	1,250	Shinkoku .....	1,360	3.23	2.42	BTR Nyctel .....	1,390	
670	Hitachi .....	880	615	510	Mitsui Pitchmen .....	800	1,370	1,050	Shokoku .....	1,310	3.30	2.90	Borali .....	3
648	Hitachi Cable .....	618	845	571	Mitsui Soko .....	801	858	413	Shokusan Jyutaku .....	636	0.53	0.38	Res. of J. C. .....	3
			444	718	Mitsui Trans .....	801								

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10	2,140	Halsbury Bros.	2,770	710	2,980	McGraw Hill	2,680	821	607	14,026	12/31	CGA	2,345	8,550	Garrett	11,110
15	2,140	Heald Publishing	2,770	710	2,980	McGraw Hill	2,680	821	607	14,026	12/31	CGA	2,345	8,550	Garrett	11,110
20	2,140	Heald Publishing	2,770	710	2,980	McGraw Hill	2,680	821	607	14,026	12/31	CGA	2,345	8,550	Garrett	11,110
25	2,140	Heald Publishing	2,770	710	2,980	McGraw Hill	2,680	821	607	14,026	12/31	CGA	2,345	8,550	Garrett	11,110
30	2,140	Heald Publishing	2,770	710	2,980	McGraw Hill	2,680	821	607	14,026	12/31	CGA	2,345	8,550	Garrett	11,110
35	2,140	Heald Publishing	2,770	710	2,980	McGraw Hill	2,680	821	607	14,026	12/31	CGA	2,345	8,550	Garrett	11,110
40	2,140	Heald Publishing	2,770	710	2,980	McGraw Hill	2,680	821	607	14,026	12/31	CGA	2,345	8,550	Garrett	11,110
45	2,140	Heald Publishing	2,770	710	2,980	McGraw Hill	2,680	821	607	14,026	12/31	CGA	2,345	8,550	Garrett	11,110
50	2,140	Heald Publishing	2,770	710	2,980	McGraw Hill	2,680	821	607	14,026	12/31	CGA	2,345	8,550	Garrett	11,110
55	2,140	Heald Publishing	2,770	710	2,980	McGraw Hill	2,680	821	607	14,026	12/31	CGA	2,345	8,550	Garrett	11,110
60	2,140	Heald Publishing	2,770	710	2,980	McGraw Hill	2,680	821	607	14,026	12/31	CGA	2,345	8,550	Garrett	11,110
65	2,140	Heald Publishing	2,770	710	2,980	McGraw Hill	2,680	821	607	14,026	12/31	CGA	2,345	8,550	Garrett	11,110
70	2,140	Heald Publishing	2,770	710	2,980	McGraw Hill	2,680	821	607	14,026	12/31	CGA	2,345	8,550	Garrett	11,110
75	2,140	Heald Publishing	2,770	710	2,980	McGraw Hill	2,680	821	607	14,026	12/31	CGA	2,345	8,550	Garrett	11,110
80	2,140	Heald Publishing	2,770	710	2,980	McGraw Hill	2,680	821	607	14,026	12/31	CGA	2,345	8,550	Garrett	11,110
85	2,140	Heald Publishing	2,770	710	2,980	McGraw Hill	2,680	821	607	14,026	12/31	CGA	2,345	8,550	Garrett	11,110
90	2,140	Heald Publishing	2,770	710	2,980	McGraw Hill	2,680	821	607	14,026	12/31	CGA	2,345	8,550	Garrett	11,110
95	2,140	Heald Publishing	2,770	710	2,980	McGraw Hill	2,680	821	607	14,026	12/31	CGA	2,345	8,550	Garrett	11,110
100	2,140	Heald Publishing	2,770	710	2,980	McGraw Hill	2,680	821	607	14,026	12/31	CGA	2,345	8,550	Garrett	11,110

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306	Shihina Sango	451	1,970	690	Hagase	1,030	760	680	Saitama Washiro	753	2.73	2.63	GO Australia	1.56
307	Shimada	444	1,970	690	Shimada Railroad	597	1,640	980	Suzuki Motor	766	2.72	2.48	Goodman Fletcher	1.61
308	Izumi Mitsuo	523	1,970	690	Shimada	444					2.59	2.59	Hande (A)	2.50
309	Shimada	444	1,970	690	Shimada	444					2.59	2.59	Hande (A)	2.50
310	Shimada	444	1,970	690	Shimada	444					2.59	2.59	Hande (A)	2.50
311	Shimada	444	1,970	690	Shimada	444					2.59	2.59	Hande (A)	2.50
312	Shimada	444	1,970	690	Shimada	444					2.59	2.59	Hande (A)	2.50
313	Shimada	444	1,970	690	Shimada	444					2.59	2.59	Hande (A)	2.50
314	Shimada	444	1,970	690	Shimada	444					2.59	2.59	Hande (A)	2.50
315	Shimada	444	1,970	690	Shimada	444					2.59	2.59	Hande (A)	2.50
316	Shimada	444	1,970	690	Shimada	444					2.59	2.59	Hande (A)	2.50
317	Shimada	444	1,970	690	Shimada	444					2.59	2.59	Hande (A)	2.50
318	Shimada	444	1,970	690	Shimada	444					2.59	2.59	Hande (A)	2.50
319	Shimada	444	1,970	690	Shimada	444					2.59	2.59	Hande (A)	2.50
320	Shimada	444	1,970	690	Shimada	444					2.59	2.59	Hande (A)	2.50
321	Shimada	444	1,970	690	Shimada	444					2.59	2.59	Hande (A)	2.50
322	Shimada	444	1,970	690	Shimada	444					2.59	2.59	Hande (A)	2.50
323	Shimada	444	1,970	690	Shimada	444					2.59	2.59	Hande (A)	2.50
324	Shimada	444	1,970	690	Shimada	444					2.59	2.59	Hande (A)	2.50
325	Shimada	444	1,970	690	Shimada	444					2.59	2.59	Hande (A)	2.50
326	Shimada	444	1,970	690	Shimada	444					2.59	2.59	Hande (A)	2.50
327	Shimada	444	1,970	690	Shimada	444					2.59	2.59	Hande (A)	2.50
328	Shimada	444	1,970	690	Shimada	444					2.59	2.59	Hande (A)	2.50
329	Shimada	444	1,970	690	Shimada	444					2.59	2.59	Hande (A)	2.50
330	Shimada	444	1,970	690	Shimada	444					2.59	2.59	Hande (A)	2.50
331	Shimada	444	1,970	690	Shimada	444					2.59	2.59	Hande (A)	2.50
332	Shimada	444	1,970	690	Shimada	444					2.59	2.59	Hande (A)	2.50
333	Shimada	444	1,970	690	Shimada	444					2.59	2.59	Hande (A)	2.50
334	Shimada	444	1,970	690	Shimada	444					2.59	2.59	Hande (A)	2.50
335	Shimada	444	1,970	690	Shimada	444					2.59	2.59	Hande (A)	2.50
336	Shimada	444	1,970	690	Shimada	444								

3,240	De Beers	8,340	930	710	Nelson Cement	960	818	668	Tatani Corp.	734	2,188	1,482	Wardian Gold	15	All Oiling to producers at Telene, plus discount prices shown in today's FT on pre-close.
310	Hecla Inc.	818	939	354	Nelson Russen	507	2,220	1,091	Telene Phosor	2,133	1,630	2,300			
											234	1,38	14,40	2.06	

1. The first step in the process is to identify the problem or issue that needs to be addressed. This involves gathering information and understanding the context of the problem.

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● FT Cityline Unit Trust Prices: dial (0801 or 0336) 430000, enter 4 and key in the five digit code listed below. Calls are charged at 38c/minute, cheap rate and 48c/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (071) 873 4318.

● FT Cityline Unit Trust Prices: dial (0801 or 0336) 430000, enter 4 and key in the five digit code listed below. Calls are charged at 38c/minute, cheap rate and 48c/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (071) 873 4318.

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# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGE AND MONEY MARKETS

### Focus on the Danes

**TOMORROW'S** referendum on the Maastricht treaty will be the principal focus in foreign exchange and money markets this week, writes James Bhatt.

In recent days, it has looked increasingly likely that Denmark will vote Yes to the treaty.

A Gallup opinion poll which was published on Friday in a leading Danish daily newspaper showed that support for the Yes camp had widened to 50 per cent with 32 per cent of people opposed.

UK clearing bank base lending rate 5 per cent from January 26, 1993

This compared to a 49.3 per cent lead published in a Gallup survey the previous day.

There are even suggestions that a No vote would not immediately threaten the Danish krone's position in the European exchange rate mechanism's grid.

Mr Mads Jacobsen, a vice director at Den Danske Bank, said on Friday that the

important factors in Denmark were the country's strong macro-economic fundamentals, the Danish loyalty to the ERM and the fact that implementation of European Monetary Union has become rather hypothetical.

However, there are grounds for thinking that, even if the ERM is unaffected by this week's strains, tensions could return at the end of the year if France's fundamental economic performance has not improved.

France is unlikely to cut its short-term rates at a more aggressive pace than Germany, because this would put the franc under pressure in the ERM.

However, French inflation is lower than Germany's. France's real interest rates are likely to remain comparatively high by the end of the year. Sterling's short-term future should be strongly influenced by a host of economic data this week, of which the most important are probably the April unemployment figures due out on Thursday.

## OTHER CURRENCIES

May 14	Close	Change
1 month	1.0305-1.0306	1.0305-1.0306
3 months	1.0305-1.0306	1.0305-1.0306
6 months	1.0305-1.0306	1.0305-1.0306
12 months	1.0305-1.0306	1.0305-1.0306

## STERLING INDEX

May 14	Close	Change
0.30	79.7	79.7
0.50	79.7	79.7
1.00	79.7	79.7
2.00	79.7	79.7
3.00	79.7	79.7
4.00	79.7	79.7

## CURRENCY MOVEMENTS

May 14	Bank of England	Change
0.30	79.7	79.7
0.50	79.7	79.7
1.00	79.7	79.7
2.00	79.7	79.7
3.00	79.7	79.7
4.00	79.7	79.7

## CHICAGO

May 14	Close	Change
0.30	79.7	79.7
0.50	79.7	79.7
1.00	79.7	79.7
2.00	79.7	79.7
3.00	79.7	79.7
4.00	79.7	79.7

## STANDARD & POOR'S 500 INDEX

May 14	Close	Change
0.30	79.7	79.7
0.50	79.7	79.7
1.00	79.7	79.7
2.00	79.7	79.7
3.00	79.7	79.7
4.00	79.7	79.7

## FT-Actuaries World Indices

May 14	Close	Change
0.30	79.7	79.7
0.50	79.7	79.7
1.00	79.7	79.7
2.00	79.7	79.7
3.00	79.7	79.7
4.00	79.7	79.7

## POUND SPOT - FORWARD AGAINST THE POUND

May 14	Close	Change
0.30	79.7	79.7
0.50	79.7	79.7
1.00	79.7	79.7
2.00	79.7	79.7
3.00	79.7	79.7
4.00	79.7	79.7

## DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

May 14	Close	Change
0.30	79.7	79.7
0.50	79.7	79.7
1.00	79.7	79.7
2.00	79.7	79.7
3.00	79.7	79.7
4.00	79.7	79.7

## EXCHANGE CROSS RATES

May 14	Close	Change
0.30	79.7	79.7
0.50	79.7	79.7
1.00	79.7	79.7
2.00	79.7	79.7
3.00	79.7	79.7
4.00	79.7	79.7

## EURO-CURRENCY INTEREST RATES

May 14	Close	Change
0.30	79.7	79.7
0.50	79.7	79.7
1.00	79.7	79.7
2.00	79.7	79.7
3.00	79.7	79.7
4.00	79.7	79.7

## FT LONDON INTERBANK FIXING

May 14	Close	Change
0.30	79.7	79.7
0.50	79.7	79.7
1.00	79.7	79.7
2.00	79.7	79.7
3.00	79.7	79.7
4.00	79.7	79.7

## MONEY RATES

May 14	Close	Change
0.30	79.7	79.7
0.50	79.7	79.7
1.00	79.7	79.7
2.00	79.7	79.7
3.00	79.7	79.7
4.00	79.7	79.7

## LONDON MONEY RATES

May 14	Close	Change
0.30	79.7	79.7
0.50	79.7	79.7
1.00	79.7	79.7
2.00	79.7	79.7
3.00	79.7	79.7
4.00	79.7	79.7

## STOCK INDICES

May 14	Close	Change
0.30	79.7	79.7
0.50	79.7	79.7
1.00	79.7	79.7
2.00	79.7	79.7
3.00	79.7	79.7
4.00	79.7	79.7

## LONDON SHARE SERVICE

May 14	Close	Change
0.30	79.7	79.7
0.50	79.7	79.7
1.00	79.7	79.7
2.00	79.7	79.7
3.00	79.7	79.7
4.00	79.7	79.7

## OTHER FINANCIAL DATA

May 14	Close	Change
0.30	79.7	79.7
0.50	79.7	79.7
1.00	79.7	79.7
2.00	79.7	79.7
3.00	79.7	79.7
4.00	79.7	79.7

## LONDON RECENT ISSUES

May 14	Close	Change
0.30	79.7	79.7
0.50	79.7	79.7
1.00	79.7	79.7
2.00	79.7	79.7
3.00	79.7	79.7
4.00	79.7	79.7

## FIXED INTEREST STOCKS

May 14	Close	Change
0.30	79.7	79.7
0.50	79.7	79.7
1.00	79.7	79.7
2.00	79.7	79.7
3.00	79.7	79.7
4.00	79.7	79.7

## RIGHTS OFFERS

May 14	Close	Change
0.30	79.7	79.7
0.50	79.7	79.7
1.00	79.7	79.7
2.00	79.7	79.7
3.00	79.7	79.7
4.00	79.7	79.7

## BANK OF ENGLAND TREASURY BILL TENDER

May 14	Close	Change
0.30	79.7	79.7
0.50	79.7	79.7
1.00	79.7	79.7
2.00	79.7	79.7
3.00	79.7	79.7
4.00	79.7	79.7

## WEEKLY CHANGE IN WORLD INTEREST RATES

May 14	Close	Change
0.30	79.7	79.7
0.50	79.7	79.7
1.00	79.7	79.7
2.00	79.7	79.7
3.00	79.7	79.7
4.00	79.7	79.7

## BASE LENDING RATES

May 14	Close	Change
0.30	79.7	79.7
0.50	79.7	79.7
1.00	79.7	79.7
2.00	79.7	79.7
3.00	79.7	79.7
4.00	79.7	79.7

## STOCK INDICES

May 14	Close	Change
0.30	79.7	79.7
0.50	79.7	79.7
1.00	79.7	79.7
2.00	79.7	79.7
3.00	79.7	79.7
4.00	79.7	79.7

## LONDON SHARE SERVICE

May 14	Close	Change
0.30	79.7	79.7
0.50	79.7	79.7
1.00	79.7	79.7
2.00	79.7	79.7
3.00	79.7	79.7
4.00	79.7	79.7

## OTHER FINANCIAL DATA

May 14	Close	Change
0.30	79.7	79.7
0.50	79.7	79.7
1.00	79.7	79.7
2.00	79.7	79.7
3.00	79.7	79.7
4.00	79.7	79.7

## FOREIGN EXCHANGE AND MONEY MARKETS

May 14	Close	Change
0.30	79.7	79.7
0.50	79.7	79.7
1.00	79.7	79.7
2.00	79.7	79.7
3.00	79.7	79.7
4.00	79.7	79.7

# MONEY MARKET FUNDS

## Money Market Trust Funds

**Money Market Trust Funds** are a type of investment fund that typically invests in short-term debt instruments such as Treasury bills, commercial paper, and certificates of deposit. They are designed to provide a steady stream of income and capital preservation.

These funds are often used by investors looking for a safe haven for their money, especially in times of market volatility. They can be found through various financial institutions and online platforms.

Investors should carefully review the fund's prospectus and performance history before making any investment decisions. It's also important to consider the fund's fees and how they might impact overall returns.

For more information on Money Market Trust Funds, consult with a financial advisor or visit the fund's website.

Money Market Trust Funds can be a valuable part of a diversified investment portfolio, offering stability and regular income.

Remember, past performance does not guarantee a similar outcome in the future. Always do your own research and consult with a professional before investing.

Money Market Trust Funds are subject to market risk and may experience fluctuations in value.

For a complete list of Money Market Trust Funds and their details, please refer to the accompanying table.

Fund Name	Assets	Yield	Expense Ratio
Money Market Fund A	\$1.2B	4.5%	0.25%
Money Market Fund B	\$850M	4.3%	0.20%
Money Market Fund C	\$650M	4.4%	0.22%
Money Market Fund D	\$550M	4.6%	0.28%
Money Market Fund E	\$450M	4.2%	0.24%

## Money Market Bank Accounts

**Money Market Bank Accounts** offer a combination of safety and liquidity. They typically provide higher interest rates than regular checking accounts while maintaining FDIC insurance.

These accounts are ideal for individuals who want to keep their emergency funds or other short-term savings. They often allow for easy transfers to and from other bank accounts.

When choosing a Money Market Bank Account, look for a bank with a strong reputation and competitive rates. Consider the account's features, such as online banking and mobile app access.

Remember, while these accounts are generally safe, they are not immune to all risks. Always read the terms and conditions carefully.

For a list of Money Market Bank Accounts and their details, please refer to the accompanying table.

Bank Name	APR	Minimum Deposit	Features
Bank A	4.5%	\$1,000	Online banking, mobile app
Bank B	4.3%	\$500	ATM network, 24/7 service
Bank C	4.4%	\$1,000	Direct deposit, bill pay
Bank D	4.6%	\$500	Investment options, rewards
Bank E	4.2%	\$1,000	Customer service, branch network

## Money Market Investment Funds

**Money Market Investment Funds** are designed to provide a steady stream of income and capital preservation. They typically invest in short-term debt instruments.

These funds are often used by investors looking for a safe haven for their money, especially in times of market volatility. They can be found through various financial institutions and online platforms.

Investors should carefully review the fund's prospectus and performance history before making any investment decisions. It's also important to consider the fund's fees and how they might impact overall returns.

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Money Market Fund D	\$550M	4.6%	0.28%
Money Market Fund E	\$450M	4.2%	0.24%

## Money Market Services

**Money Market Services** include a variety of financial products and services designed to help investors manage their money effectively. These services often include investment advice, portfolio management, and risk assessment.

These services are typically provided by financial institutions and advisors. They can be tailored to meet the specific needs and goals of individual investors.

Investors should carefully evaluate the quality and reputation of the service provider before making any decisions. It's also important to understand the costs and benefits of each service.

For more information on Money Market Services, consult with a financial advisor or visit the service provider's website.

Money Market Services can be a valuable part of a comprehensive financial plan, helping investors achieve their long-term goals.

Remember, professional advice is essential for making informed investment decisions. Always consult with a qualified advisor.

For a complete list of Money Market Services and their details, please refer to the accompanying table.

## Money Market Services

Service Name	Assets	Yield	Expense Ratio
Service A	\$1.2B	4.5%	0.25%
Service B	\$850M	4.3%	0.20%
Service C	\$650M	4.4%	0.22%
Service D	\$550M	4.6%	0.28%
Service E	\$450M	4.2%	0.24%

## Money Market Investment Funds

Fund Name	Assets	Yield	Expense Ratio
Fund A	\$1.2B	4.5%	0.25%
Fund B	\$850M	4.3%	0.20%
Fund C	\$650M	4.4%	0.22%



## INVESTMENT TRUSTS - Cont.

### INVESTMENT TRUSTS - Cont.

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27	27	Free Life	0.08	8	789	74	6%	7	+	+
28	28	Presnick			4	300	21	21%	7	+
29	29	Procton	0.12	1	430	24	4			
30	30	Price Co			11	14	28%	28	+	+
31	31	Procter			35	24	5%	5%	+	+
32	32	Prod Ops	0.20	19	115	24	26%	26%	+	+
33	33	Proffitt & L	1.26	11	857	69%	34%	34%	+	+
34	34	Proffitt & L	0.51	12	125	5%	27%	27%	+	+
35	35	Proffitt & L	0.12	20	30	10%	10%	10%	+	+
36	36	Pyramid			4	3636	17	18	16%	+
37	37	Pyramid			1	41	6%	6%	6%	+
38	38	Pyramid	0.00	17	17	5%	27%	27%	+	+
39	39	Pyramid			1	11	15	15	15	+
40	40	Quadrant			9	4834	14	13%	14	+
41	41	Quadrant			27	181	12	11%	11%	+
42	42	Quadrant			42	936	57	50%	54%	+
- R -										
44	44	Rainbow			26	403	23%	22	22%	+
45	45	Railco			19	1518	14	14	14%	+
46	46	Rainbow			5	406	7%	6%	6%	+
47	47	Raymond			25	28	18	17%	17%	+
48	48	Raymond			15	25	21	15	15	+
49	49	Raymond			3	436	6%	6%	6%	+
50	50	Repl Wares			18	2100	3%	3%	3%	+
51	51	Repl Wares			2	12	12%	12%	12%	+
52	52	Repl Wares	1.38	19	18	18	18	18	18	+
53	53	Repl Wares			4	418	5	5%	5%	+
54	54	Repl Wares			0.59	12	12	12	12	+
55	55	Repl Wares	1.40	15	8883	50	50	50	50	+
56	56	Repl Wares	0.68	12	12	12	12	12	12	+
57	57	Repl Wares	1.00	11	11	11	11	11	11	+
58	58	Repl Wares			10	4052	14	13%	13%	+
59	59	Repl Wares			10	4052	14	13%	13%	+
60	60	Repl Wares			10	4052	14	13%	13%	+
61	61	Repl Wares			10	4052	14	13%	13%	+
62	62	Repl Wares			10	4052	14	13%	13%	+
63	63	Repl Wares			10	4052	14	13%	13%	+
64	64	Repl Wares			10	4052	14	13%	13%	+
65	65	Repl Wares			10	4052	14	13%	13%	+
66	66	Repl Wares			10	4052	14	13%	13%	+
67	67	Repl Wares			10	4052	14	13%	13%	+
68	68	Repl Wares			10	4052	14	13%	13%	+
69	69	Repl Wares			10	4052	14	13%	13%	+
70	70	Repl Wares			10	4052	14	13%	13%	+
71	71	Repl Wares			10	4052	14	13%	13%	+
72	72	Repl Wares			10	4052	14	13%	13%	+
73	73	Repl Wares			10	4052	14	13%	13%	+
74	74	Repl Wares			10	4052	14	13%	13%	+
75	75	Repl Wares			10	4052	14	13%	13%	+
76	76	Repl Wares			10	4052	14	13%	13%	+
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78	78	Repl Wares			10	4052	14	13%	13%	+
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Financial Times

Perrier battle ends with something for

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1. *Journal of Management Studies*, 1997, 34, 1, 1-14.

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## MONDAY INTERVIEW

## Centrist at a golden crossroad

Huang Ju, mayor of Shanghai, speaks to Tony Walker and Kieran Cooke

Mr Huang Ju, the mayor of Shanghai, is a man with a mission. His aim is to set his city on course to become a finance and trade powerhouse in Asia and the Pacific by 2010.

Twelve months ago, Hong Kong, Taipei, Tokyo and Seoul may have scoffed at Mr Huang's presumption, but it is unlikely today that financiers in any of these centres would doubt Shanghai's capacity to assert itself regionally by early next century.

The "city state" is already proving a strong magnet for new investment, sucking in billions of dollars of foreign funds - \$3.5bn last year alone, equivalent to almost the entire amount over the past decade. In the process, Shanghai is becoming more closely attached to the economies of Japan, South Korea, Hong Kong, Taiwan and the other Asian tigers such as Singapore and Thailand.

"Between 2000 and 2010 we want to turn Shanghai into a financial and trading centre of the Asian and Pacific region. Our objective is to achieve complementarity with other regional financial and trade centres," Mr Huang said.

The 55-year-old engineer who became mayor of China's most populous city in 1991 speaks the language of a salesman when extolling Shanghai's advances as the "dragon head" of his country's economic development.

The city sits, for example, at the point where China's "golden highway", the Yangtze, runs into the sea; it is also located mid-way between north and south on China's coastline. "We are at the crossroads of the golden highway and golden coastline. We stand at the gateway to the world outside," Mr Huang said of the Yangtze river delta and Yangtze valley whose cities and towns account for half China's industrial output.

His dream of Shanghai's golden future will depend on sustained revitalisation of the city's crumbling infrastructure and industrial base. It will also require a revolution in China's state-dominated financial sector whose old-fashioned ways are incompatible with Mr Huang's aspirations for Shanghai as a modern financial services sector.

The mayor fits the mould of

the modern Chinese technocrat-cum-official. He dresses neatly in conservative western suit and tie and tasselled black shoes; and he is cautious in his political observations, as befits someone with a reputation as a centrist with links to the two broad factions of the communist elite. Among his mentors is said to be the 88-year-old Chen Yun, patron of the central planners and a conservative counterweight to the reformers led by senior leader, 88-year-old Deng Xiaoping.

Mr Huang deflects questions about the relevance of Marxism in modern China. He would rather quote statistics than Marx; the thoughts of Deng Xiaoping than those of Chairman Mao.

China's turbulent past, its adherence to class struggle, its Soviet-style central planning, and the disruption caused by mass political campaigns are "part of history", he said. What was important was to look forward. Mr Huang joined the Communist party in 1966, three years after he graduated from Qinghua university, one of China's most prestigious, and a few months before the Cultural Revolution brought years of chaos to China.

Looking forward provides the Chinese official with an opportunity to sketch in some grand plans for Shanghai. These involve three stages of development: from 1991-95; 1996-2000; and 2001-2010.

Shanghai would continue to invest heavily in infrastructure at a rate of about \$1.75bn annually to the end of the century, creating the right environment for the city to achieve its broader ambitions; municipal planners, through tax incentives and other measures, would shift the balance of industry from heavy to light manufacturing, preferably high-tech; and services would be given every encouragement to grow from their present 30 per cent share of the city's GNP to 45 per cent.

Shanghai has a lot of catching up to do. Its share of national industrial output is down from 18 per cent in the 1950s to about 7 per cent today. In 1985 it yielded to Guangdong province in the south the mantle of number one exporter.

It is this latter development that the proud Shanghaians find particularly irksome. And although Mr Huang is too shrewd a politician to make negative remarks about the



'We stand at the gateway to the world outside'

southern province - he almost certainly harbours national ambitions - it would be surprising if he did not share in a general desire to put Guangdong and the energetic Cantonese in their place. "We want Shanghai to lead in economic development in China," is about as close as he is prepared to go in throwing down the gauntlet.

Mr Huang is also careful not to criticise Beijing for keeping Shanghai on a tight leash longer than was perhaps neces-

## PERSONAL FILE

1938 Born in Zhejiang province  
1963 Graduated with engineering degree, Qinghua university.  
1982 Deputy director, Shanghai Bureau of Technical Engineering.  
1986 Vice-mayor, Shanghai.  
1989 Mayor of Shanghai.

sary until recently. Shanghai businessmen chafed for years at what they saw as unfair restrictions on their activities, while their Guangdong counterparts were permitted to engage in an entrepreneurial free-for-all.

Shanghai has also been obliged to contribute a higher share of its revenues into national coffers, leaving itself short of funds to deal with manifest infrastructural problems - housing, roads and sewage systems all need urgent attention - in one of the world's most overcrowded cities.

Loyalty. Mr Huang ascribed Beijing's restrictions to Shanghai's importance as a stabilising factor during the politically risky early reform process of the 1980s.

"Shanghai has been obliged to play a role like a big

brother," he said diplomatically. "As the source of one-seventh of state revenues in the 1980s it had to bear its duties and responsibilities. It was too risky to experiment."

Mr Huang compared Shanghai's role in the 1980s to that of a defensive player in soccer. But in the 1990s it was moving onto the offensive as a "pioneer for reform".

Among privileges now being ceded by the central government to Shanghai is the right to borrow internationally. Mr Huang estimates that Shanghai raised about RMB10bn last year for infrastructure projects, of which about 80 per cent had been borrowed abroad, most from international lenders such as the World Bank and Asian Development Bank.

Shanghai is now also allowed to buy construction materials from the cheapest international source without first obtaining permission from Beijing, a process that could often take three months or more.

Mr Huang expects the city to continue to grow at rates well above the national average. Shanghai's economy last year expanded by 14.8 per cent, compared with national growth of 12.8 per cent. The city's target is 10 per cent annually until 2000, but the mayor is confident it will exceed that target without provoking crippling cost-of-living increases.

Western concern about China's economy overheating was exaggerated, he declared, and some inflation was, in the present circumstances, unavoidable. The Chinese had, in any case, learned to cope with price rises. "You look at China from the point of view of a foreigner. I look at it as a Chinese," he said.

## The real obstacles to free trade

When critics say the Clinton administration's trade policy is confused, what they mean is that they disagree with it. As in the early days of any new administration, policymakers clash on occasion. Mr Lloyd Bentsen, the treasury secretary, may sound more committed to classical free trade principles than, say, Mr Mickey Kantor, the trade representative, or Ms Laura Tyson, the White House chief economist. But these are nuances: there is a great deal of agreement on fundamental principles.

Nobody in the Clinton team - from the president down - believes much can be gained from new protectionist barriers to imports. They want more rather than less trade. On the other hand, they think the US's relative economic decline in recent decades partly reflects an asymmetrical trading structure. American markets, especially for high-tech goods, have been more open and less subsidised than those of most other industrialised countries, putting US companies at a disadvantage.

This can be put right, the US believes, only by policies that emphasise "equal access" to markets. Purely reciprocal trade concessions are not enough because, given the starting point, they would still leave US markets more exposed than those of trading partners such as Japan.

These arguments have force. No country any longer advocates the kind of unilateral free trade embraced by Victorian Britain. In the immediate post-war decades the US was willing to have more open markets than its trading partners for two reasons: it was an economic superpower and trade concessions were a useful way of winning support for its "containment of communism" strategy. Now that communism is dead and the US's economic strength is much reduced, it is understandably seeking a genuinely level playing field in trade.

If there is a ground for complaint, it concerns tactics. Taking its lead from Republican administrations, the Clinton team is preparing unilaterally to impose sanctions on Japan and other countries it deems unfair traders. It appears determined to use the 1986 semiconductor accord, which set a quantitative target for foreign penetration of the Japanese market, as a model for other sectoral agreements.

So far this kind of "managed trade" seems to be attracting surprisingly little opposition. At a recent Washington lunch, Mr Jean Claude Paye, secretary-general of the Organisation for Economic Co-operation and Development, pointedly refused to condemn quantitative targets. "If the US policy leads to a non-discriminatory opening of closed markets, it will be good," he said. In other words, US bully-boy tactics are fine so long as a piece of Japanese action is reserved for Europe.

This is too complacent a view. Why should bureaucratic measures that reserve a chunk of Japanese markets for foreign (mainly US) companies encourage the Japanese to adopt more market-oriented policies? The history of interference in market mechanisms in trade suggests that such an intervention will be neither temporary nor regionally contained. Such "voluntary import expansion" orders would probably spread like wildfire, just as voluntary export restrictions did in the 1980s. If this is what the Clinton people really want, they are short-sighted.

On the other hand, economists engaged by such policies should recognise that the US plans, in part, are a legitimate reaction to the shortcomings of the multilateral rules underwritten by the General Agreement on Tariffs and Trade. The structural and cultural impediments that hamper foreign access to Japanese markets are frequently not covered by the GATT rules. But, rather than wrecking relations with Tokyo by insisting on what amounts to disguised import quotas for US companies, the US should be thinking more strategically about trade policy.



MICHAEL PROWSE ON AMERICA

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The bilateral deficit with Japan is much less important than overall US trade deficit which can only be reduced by macroeconomic means. The tensions with Japan reflect a general problem: the fact that the ability of companies to compete globally is affected by a whole range of domestic policies, not just the level of protection at the border.

As production becomes increasingly globalised, the challenge is not just to create a level playing field in trade but a level playing field generally. This means ensuring that the overall level of government support for industries is roughly equalised. The US has ought to be pushing hard for agreement on the terms of reference for a post-Uruguay Round of trade talks to address the domestic obstacles to truly cosmopolitan capitalism, such as differences in national industrial, technology and competition policies.

Unilateral threats sound tough but they can never properly address the worldwide interests of US companies. Companies that operate globally need globally-valid trade rules. The only forum in which the US can hope to forge a global trade regime good for both the US and its partners is the GATT. Mr Clinton says he supports the GATT process. But like so many American policymakers, he appears unable to grasp the overriding importance of multilateral rules and institutions as economies grow ever more interdependent. It is a curious shortcoming given his sensitivity to such institutions in military and diplomatic policy.

## Bosnia's moment of truth

The row which boiled over last week between the US and Europe over the war in Bosnia seems to have subsided. But the reasons for the row have not been resolved, and the recent torrent of transatlantic abuse and recrimination may be a foretaste of much worse to come. The reason for the row is that the war is reaching the moment of truth.

The row was over a twin-track plan which the US thought would help stop the fighting - air strikes against the Serbs, and arms for the Muslims. Mr Warren Christopher, US secretary of state, toured Europe to sell the plan, but the Europeans turned it down flat.

The anger of some of the anti-European remarks coming out of Washington when Mr Christopher got home seemed way over the top. Senator Joseph Biden's denunciation of the Europeans for "indifference, timidity, self-delusion and hypocrisy" was not just gratuitously insulting; it came from a country which until now has done its best to stay out of the mess.

Mr Biden's intemperate outburst probably concealed a deeper meaning. It was a revealing give-away, not just of the intensity of political feeling building up over the conflict, but even more of a premonition that it is driving the world community inexorably towards a grave crisis.

Governments on both sides of the Atlantic know that the conflict is coming to a head. When it does, they will have to answer the most basic question, which they have so far



IAN DAVIDSON ON EUROPE

avoided: are they prepared to stop the Serbs and impose a settlement, by force if necessary?

International leaders would prefer not to have to answer this question. They have believed, correctly, that the best kind of peace comes through negotiation; and they have wanted, if at all possible, to stay out of a murderous war in the Yugoslav mountains. As a result they have followed a cautious policy: diplomatic pressure for a negotiation, on the Vance-Owen plan; and international sanctions to force the parties to negotiate. Officially, they continue to hope that these weak pressures will induce the Bosnians to make peace.

European governments have an extra reason for caution. From the beginning, President George Bush made clear he would have nothing to do with Yugoslavia. The US sent large numbers of troops to Somalia, with spectacular success; but Yugoslavia was Europe's problem, and Europe's failure.

Bill Clinton campaigned against Mr Bush for a stronger line on Bosnia. Four months into his presidency, he is still telling us that he is going to

have a stronger policy on Bosnia, but he still does not have one. The plan for bombing the Serbs and arming the Muslims has now apparently been put on hold. This might have briefly satisfied Mr Clinton's need to be seen to be "doing something", without endangering US soldiers. But it could not have improved the chances of peace, and might have made them much worse.

The UN could not possibly endorse a policy of intervening militarily on the side of the Muslims; that would end all UN peace-keeping for a generation. In any case, such a policy would be vetoed by Russia.

If the US intervened militarily on the side of the Muslims, there would be two immediate consequences. First, all international peace-keeping and most humanitarian operations would immediately stop. Second, others would probably intervene on the side of the Serbs. As a result, the war would reach new peaks of ethnic cleansing and territorial aggression.

A bombing policy would, in any case, quickly have to be halted, in the face of international revulsion at its unintended results. During week one of such an assault, Clinton's hero-acting would soar as the American electorate admired spectacular TV footage of air strikes. In week two, his rating would collapse, in the face of gruesome TV footage of dead and dying civilians. Such a policy makes sense only if you are sure that the Serbs would abandon their war aims during week one.

Finally, the US plan is ambivalent about its true strategic objectives. Does it hope to

bomb the Serbs into submitting to the Vance-Owen plan? Or does it just want a more equal war, so that the Muslims could fight for more territory? There is a big difference between the two.

If the Americans just want a fight to the finish, they have no reason to put any troops in on the ground. In that case they should openly dissociate themselves from the Vance-Owen plan, and stop sneering at the Europeans. If, on the contrary, they hope to implement the Vance-Owen plan, they must be prepared to send troops; but sending troops means fighting Serbs, because that is the only way to make them give up 30 per cent of the territory of Bosnia.

In the end we are forced back to the fundamental question: is the international community ready to stop the Serbs, and impose a settlement, by force if necessary? The steps taken so far by Europe and the UN are intended to put off that question for as long as possible. First we had sanctions; then we had a no-fly zone; now we have safe havens, in theory, soon we may have an internationally monitored blockade on the Serbian-Bosnian frontier. But now we have virtually exhausted the repertoire of peaceful pressure to drag the combatants to a negotiated solution, because the gap between the principles of the Vance-Owen plan and the facts on the ground is turning into an unbridgeable abyss.

At best we have a few more weeks for procrastination and hope. Then we shall have to answer the big question. And that will be the signal for a serious transatlantic row.

The Pelikan's beak savours Saville Row labels. And he doodles on damask at the best of tables.

**Pelikan**

**JOTTER PAD**

**CROSSWORD**  
No.8,152 Set by DANTE

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9	10	11	12	13	14	15	16
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**ACROSS**

- A cleaner fuel that draws well (5)
- Sleazy executed movement of a US soldier in trouble (6)
- Almost rate as fools (6)
- Do such animals only live from day to day? (9)
- Coal-seam worked by sailors (5)
- A wild animal but it's all right, a quiet one (5)
- Well up in poetry? (5)
- Give one the right to call (7)
- Mary and child featured in stonework (7)
- American negro has new role in church (5)
- Three animals in the lead (5)
- Teach girl in an idle form (9)
- Alm always, say, to do one's best (5)
- A card cheat may be so described (5)
- West End tours arranged in coaches (6)
- Les Miserables - or The Turn of the Screw (8)

**DOWN**

- Fascinates church members (6)
- A worker's interrupted by ecstatic non-workers (9)
- Roots on the wing? (7,2,3,3)
- In a bad temper the day none came round (7)
- Medicine openly available but no longer in demand? (4,2,6)
- Sail Columbus raised here (6)
- Such a heating device is well suited (3-5)
- Daying to church is seldom seen (6)
- Great help, perhaps, in rapid communication (9)
- Author takes fish without permit (8)
- Give loud cry of pain like a coward (5)
- He may bring food from the terrace (7)
- Guards the gang on board (6)
- Examination necessitating a lot of book-work (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday May 28.

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**COMPANY NOTICES**

**NOTICE TO SHAREHOLDERS OF MLH REALTY INVESTMENT VI N.V.**

Notice of the Annual General Meeting of Shareholders of MLH REALTY INVESTMENTS VI N.V. (the "Company") is hereby given. The meeting is to take place at 11.30 a.m. on May 31, 1993 at the registered office of the Company, 6 John B. Gonsiraweg, Curaçao, Netherlands Antilles. The agenda of the meeting is set forth below.

**AGENDA**

Annual Meeting of Shareholders of MLH REALTY INVESTMENT VI N.V.

- Report by Board of Supervisory Directors on the course of business of the Company and on the administration conducted during the fiscal year ended November 30, 1992.
- Discharge and subsequent re-election of the Board of Supervisory Directors.
- Report by the Board of Managing Directors on the course of business during the fiscal year ended November 30, 1992.
- Presentation of the Net Result of the period December 1, 1991 thru November 30, 1992.
- Confirmation and adoption of the Balance Sheet and Profit and Loss Account for the period ended November 30, 1992 and as presented in the report of the accounting firm of Ernst & Young dated April 27, 1993.
- Discharge and subsequent re-election of the Board of Managing Directors.
- Selection of independent auditors.

Shareholders, by executing the subscription agreement for their shares have executed a discretionary proxy in favour of Yvomanie Corporation N.V., authorizing Yvomanie Corporation N.V. to vote the investor's shares. This proxy may be revoked either personally at the General Meeting of Shareholders or by written notice to Yvomanie Corporation N.V. 6 John B. Gonsiraweg, Curaçao, Netherlands Antilles, received prior to such meeting. Shareholders have the opportunity to instruct Yvomanie Corporation N.V. as to the voting of their shares by writing to Yvomanie Corporation N.V. at the above address.

MLH REALTY INVESTMENTS VI N.V.  
BY: MeesPierson Trust (Curaçao) N.V.  
Managing Director